



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2006

**W. Martin Morics
Comptroller**



Comprehensive Annual Financial Report

City of Milwaukee, Wisconsin

for the Year Ended December 31, 2006

Office of the Comptroller

**W. Martin Morics
Comptroller**

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Exhibit or Table Number	Page Number
INTRODUCTORY SECTION		
Comptroller's Letter of Transmittal		5
Organization Chart		11
Names of Principal Officials		12
FINANCIAL SECTION		
Report of Independent Auditors		15
Management's Discussion and Analysis		17
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Assets	1	34
Statement of Activities	2	36
Fund Financial Statements:		
Balance Sheet - Governmental Funds	A-1	40
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	A-2	43
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	A-3	44
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-4	47
Statement of Net Assets - Enterprise Funds	B-1	48
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Enterprise Funds	B-2	51
Statement of Cash Flows - Enterprise Funds	B-3	52
Statement of Fiduciary Net Assets - Fiduciary Funds	C-1	54
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	C-2	55
Combining Statement of Net Assets - Component Units - Enterprise Funds	D-1	56
Combining Statement of Activities - Component Units - Enterprise Funds	D-2	58
NOTES TO THE FINANCIAL STATEMENTS		62
REQUIRED SUPPLEMENTARY INFORMATION:		
Budgetary Comparison Schedule - General Fund	E-1	93

CITY OF MILWAUKEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Exhibit or Table Number	Page Number
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:		
Combining Balance Sheet - Nonmajor Governmental Funds	F-1	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	F-2	99
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Grant and Aid Projects	F-3	100
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Community Development Block Grant	F-4	101
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Economic Development	F-5	102
Combining Statement of Net Assets - Nonmajor Enterprise Funds.....	G-1	104
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds	G-2	105
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	G-3	106
Combining Schedule of Changes in Assets and Liabilities - Agency Funds	H-1	108
MISCELLANEOUS FINANCIAL DATA:		
Combined Schedule of Delinquent Taxes Receivable	I-1	112
Combined Schedule of Cash and Cash Equivalents and Investments -Reporting Entity	I-2	113
Debt Service Requirements to Maturity - General Obligation Bonds and Notes	I-3	114
Debt Service Requirements to Maturity - Water Revenue and Disclosure of Bond Coverage	I-4	122
Debt Service Requirements to Maturity - Sewerage System Revenue and Disclosure of Bond Coverage	I-5	123
Schedule of Account Balances - Capital Projects by Purpose	I-6	124
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Capital Projects by Purpose..	I-7	126
General Fund - Schedule of Revenues - Budget and Actual	I-8	128
General Fund - Schedule of Expenditures - Budget and Actual	I-9	129
STATISTICAL SECTION		
Net Assets by Component	1	133
Changes in Net Assets	2	134
Fund Balances, Governmental Funds	3	136
Changes in Fund Balances, Governmental Funds	4	137
Assessed and Estimated Actual Value of Taxable Property	5	138
Direct and Overlapping Property Tax Rates	6	139
Principal Property Taxpayers	7	140
Property Tax Levies and Collections	8	141
Ratios of Outstanding Debt by Type	9	142
Computation of Direct and Overlapping Debt	10	143
Legal Debt Margin Information	11	144
Pledged Revenue Coverage	12	146
Demographic and Economic Statistics	13	147
Principal Employers	14	148
City Government Employees by Function/Program - Adopted Budget Positions	15	149
Operating indicators by Function/Program	16	150
Capital Asset Statistics by Function/Program	17	151

This page left blank intentionally.



Office of the Comptroller

W. Martin Morics, C.P.A.
Comptroller

Michael J. Daun
Deputy Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Craig D. Kammholz
Special Deputy Comptroller

July 30, 2007

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Milwaukee for the fiscal year ended December 31, 2006. This report is prepared to satisfy the City Charter requirement for the Office of the Comptroller to prepare an annual statement of revenues and expenditures and the Common Council's request for an independent examination of financial activity of the City of Milwaukee. The report was prepared by the Office of the Comptroller in conformity with accounting principles generally accepted in the United States of American (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other authoritative accounting standard setting bodies. This report presents the financial position of the City of Milwaukee and its component units. The CAFR reflects the actual financial activity of the past year rather than proposed activity for a future year, as presented in the City's Annual Budget.

This report consists of management's representation concerning the finances of the City of Milwaukee. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Milwaukee and the component units are responsible for establishing and maintaining an internal control structure designed to ensure that the assets entrusted are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

An independent firm of licensed certified public accountants, KPMG LLP, has audited the City of Milwaukee's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Milwaukee for the fiscal year ended December 31, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Milwaukee's financial statements for the fiscal year ended December 31, 2006, are fairly presented in conformity with GAAP.

The GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* requires that management provide a narrative introduction, overview, and analysis to accompany the Basic financial Statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in three sections. The **Introductory Section** includes a list of principal officials, an organizational chart, and this letter of transmittal, which highlights significant aspects of the City and particular financial issues. The **Financial Section** includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The **Statistical Section** includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

THE REPORTING ENTITY AND ITS SERVICES

The City of Milwaukee was incorporated as a city on January 31, 1846, pursuant to the laws of the territory of Wisconsin. The City, in operation under a Home Rule Charter since 1874, provides for a council-mayor form of



CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2006

government. The Mayor, Comptroller, Treasurer, City Attorney and 15 Common Council members are elected officials of the City. Local elections are nonpartisan. Officials are elected to identical four-year terms. The City of Milwaukee held a general election for these positions in April 2004. The Mayor is the Chief Executive Officer and maintains a cabinet form of government controlling major City departments by appointing department heads subject to confirmation by the Common Council. The Mayor is responsible for the preparation of an annual city expenditure budget, subject to review and adoption by the Common Council. The Common Council is responsible for the management and control of the finances and property of the City and has the full power and authority to establish, enforce and modify all regulations for the government. The Comptroller, as the Chief Financial Officer for the City, is responsible for establishing City accounting policies and procedures, revenue estimating and monitoring, examination and investigation of all matters related to the finances of the City, issuance of debt and financial reporting. The City Treasurer is responsible for the receipt, disbursement and investment of all monies accruing to the City, including the collection of property taxes. The City Attorney is responsible for all legal matters of the corporation, including furnishing legal opinions, drafting all legal documents and defending the City in any legal actions.

The City of Milwaukee provides a full range of municipal services, including police and fire protection, sanitation, health, culture and recreation, public works, conservation and development and administrative support services. Also included in the report are the enterprise operations of the Metropolitan Sewerage District User Charge, Parking, Port, Sewer Maintenance and Water Works. These activities are under the direct oversight responsibility of the Mayor and Common Council and constitute the primary governmental functions of the City of Milwaukee. In addition, entities for which the City has financial accountability or for which the nature and significance of their relationship with the City would cause these financial statements to be misleading or incomplete are a part of the reporting entity. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The following organizations are reported as discretely presented component units: Milwaukee Economic Development Corporation, City of Milwaukee Housing and Redevelopment Authorities and Neighborhood Improvement Development Corporation.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions of the annual budget adopted by the Common Council of the City of Milwaukee. Activities of the general, capital projects funds and certain special revenue, debt service and enterprise fund types (exclusive of the component units) are included in the City's annual budget. The component units' respective Boards approve their budgets. City departments are required to submit their annual budget requests for the ensuing year to the Mayor by the second Tuesday in May. After all requests have been reviewed, the Mayor submits his proposed Executive Budget to the Common Council. The City Charter requires that this be done on or before September 28. The Common Council must complete its review and adopt the budget on or before November 14. Once adopted, Common Council approval is required to amend the total appropriations by a department, the legal level of control for each budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by object class (i.e. salaries, operating expenditures, equipment) for each department for the general fund and enterprise funds. Project life rather than the standard current fiscal year is utilized for capital funds and special revenue funds. The City of Milwaukee also maintains an encumbrance accounting system as a technique of accomplishing budgetary control. Budget-to-actual comparisons are provided in the Required Supplemental Information Section of this report for the General Fund.

LOCAL ECONOMY

Geographically, Milwaukee consists of 95.8 square miles and is situated in the southeast corner of the State with Lake Michigan at its east boundary. Milwaukee is the largest city in the State, with a 2006 population of 590,730 which has been quite stable since 2002 (declining only .94%). Due to its large population, it is also the only city of the First Class within the State of Wisconsin. The City represents approximately 40 percent of the population of the greater metropolitan area. Based on the last U.S. Census, the population in the four-county-retail-trade-area surrounding Milwaukee is 1.5 million and represents 27 percent of the population of the State of Wisconsin. For 2006, Milwaukee's median age was 30.6 years. Per the U.S. Census Bureau, the City had 28.6% of its population under the ages of 18 years, with 10.9% 65 years or older for the year 2000 (the latest available data). The City is a major portion of the County; comprising 64% of the total County of Milwaukee population; and, as a result, many statistics are only available at the County level or at the metropolitan level. The per capita income for all of Milwaukee County was \$33,888 in 2005 (the latest year available).

Milwaukee is a commercial and industrial hub for the Great Lakes region and is home to six Fortune 1000 manufacturers (including Harley-Davidson Inc., Rockwell Automation, and Johnson Controls), banks, and diversified service

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2006

companies The economy is dominated by small- to medium-size firms with representatives in nearly every industrial classification.

Metropolitan area firms are engaged primarily in the manufacture of machinery, contrary to Milwaukee's reputation as a brewery capital, less than one percent of the City's industrial outputs is related to brewing. In recent years, the metro region has a reputation as a center for precision manufacturing. It leads the nation in the production of industrial controls, X-ray equipment, steel foundry parts, and mining machinery.

Milwaukee is a major commercial shipping hub. Of vital importance to both the local and state economies is the Port of Milwaukee, a shipping and receiving point for international trade as well as the primary heavy-lift facility on the Great Lakes. A protected harbor permits year-round navigation through the port from three rivers in addition to Lake Michigan. With access to the eastern seaboard via the St. Lawrence Seaway and to the Gulf of Mexico through the Mississippi River, the Port of Milwaukee processes slightly under four million net tons of cargo annually and has helped the state maintain an export growth rate twice the national average. Both the Union Pacific Railroad and the Canadian Pacific Railway serves the Port, as well as convenient, non-congested access to the interstate highway system. Principal inbound commodities include cement, coal, machinery, steel, salt, limestone, asphalt, and crushed rock. The Port of Milwaukee was one of 11 ports and terminals throughout the St. Lawrence Seaway to receive the Pacesetter Award from the Federal Department of Transportation's St. Lawrence Seaway Development Corporation. This federal award was received in recognition of nearly doubling the international tonnage moved along the St. Lawrence Seaway in 2006. The Port is also home to the U.S. Coast Guard, the U.S. Navy Reserve and the U.S. Army. The Harbor Commission's authority also includes the property of Milwaukee World Festivals, Inc., Pier Wisconsin, the Pieces of Eight Restaurant and the Lake Express high speed ferry.

Economic development is encouraged through the growth of employment opportunities for the citizens of Milwaukee and supports private investment that grows the City's tax base. Four key approaches are utilized: 1) direct financial assistance to small businesses that helps clients take advantage of opportunities to increase sales and employment; 2) use of tax incremental financing to provide public infrastructure improvements or other assistance to encourage major private investments that will contribute significantly to the growth of the tax base, employment or availability of commercial services in underserved areas; 3) partnerships with organization that represent businesses and employers to improve the business environment, either in a particular geographic area or a particular industry segment; and 4) management of projects that invest city resources to redevelop underutilized or vacant properties for eventual sale to private owners.

In addition to pursuing new business, the City takes an active role in guiding economic development to serve the community. The City manages a number of programs intended to assist in local business retention efforts, provide permit assistance to new businesses and seek out appropriate sites for these businesses. The City has recently established its 41st Business Improvement District and Tax Incremental District (TID) #69. Forty TID's remain active. In addition, the City manages several various Development Fund Projects to promote urban renewal throughout the city.

Tourism is also a major contributor to the local economy. Milwaukee's arts, entertainment, professional sports, restaurants, parks, conventions, and businesses attract about six million visitors a year. There are about 20 major annual festivals hosted in Milwaukee. Summerfest is promoted as the world's largest music festival and attracts about one million attendees each year. Some of Milwaukee's ethnic festivals include the largest Native American festival in the country, America's largest Polish festival, America's largest Italian festival, America's largest 3-day German festival and the largest Irish festival in the world. Altogether tourism generates \$1.9 billion annually.

The educational opportunities in Milwaukee offer a wide variety of choices within the City. They include Alverno College, Cardinal Stritch University, Marquette University, Medical College of Wisconsin, Milwaukee Area Technical College, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee and Wisconsin Lutheran College.

The City remains in good financial condition, as is demonstrated by the financial statements and schedules included in this report

ECONOMIC OUTLOOK

State law requires the City to balance its annually budgeted expenditures with its anticipated revenue. Diversification and enhancement to revenues provides the City with the means to retain existing service levels. Property tax

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2006

increases have been limited by State legislation and State aids have continued to decrease, both placing pressure on other revenue sources or service reductions. Property tax and Intergovernmental (State Shared) revenues comprised approximately 78% of the General Fund revenues for 2006 as depicted in Exhibit I-8. State restrictions on the type of charges for service that are available to municipalities further erode the City's ability to diversify its revenues. Decreasing grant revenue, such as the Federal Community Development Block Grant funding, combined with the State government imposed property tax levy limits will make it difficult to maintain city services at their current levels or to implement any new program initiatives.

The 2007 grant and aid budget of \$74.4 million reflects a decrease in anticipated grants of \$4.6 million or 5.8% decrease from the 2006 budget. The largest portion of the Grants and Aids Budget is the Community Development Block Grant Program (CDBG). It is anticipated that approximately \$26.5 million in grant funds will be received in 2007. This is a decrease of \$1.2 million or 4.3% less than the previous year. For 2007, the City faces a continuation of the trend of declining CDBG funding. Continued reductions in CDBG funding will make it more difficult to target services to City neighborhood priorities and needs. The Department of Administration is taking action to better identify and increase operating grant awards, including use of the "eCivis" Grants Locator and the addition of a dedicated Grant Manager position in the Department of Administration.

Capital improvements include projects to reconstruct, rehabilitate, or otherwise restore an existing system or facility to full functionality. Also included are projects to construct and expand facilities to meet increased demand or to enhance economic development through job creation, business formation and housing production. The 2007 general City capital improvements budget totals \$155.5 million, a decrease of \$9.4 million or 5.7 percent from the 2006 budget of \$164.9 million. The tax levy supported portion of the capital budget, which includes tax levy cash resources as well as tax levy supported general obligation debt, totals \$70.2 million. Tax levy cash resources will increase \$4 million from \$8.6 million in 2006 to \$9 million in 2007. The City's long-term goal is to reduce tax levy supported borrowing authorizations to match tax levy debt retirements in order to limit future increases in the City's debt service tax levy. Control of new levy supported debt will be pursued through a combination of prioritizing capital programs and projects through the annual budget process and converting some currently levy supported projects to other revenue sources.

In recent years, the City's sources of funds for general City purposes has moved towards revenue diversification as a means to address future uncertain State aid funding levels. Charging user-based fees for some City services is shifting payment to those directly benefiting from the service and is helping to reduce the dependence on the property tax and State Aids. Such user-based fees also extend to properties previously exempt from property taxes. For example, garbage collection services are now billed to tax exempt properties. The Solid Waste Fee is a charge that recovers a portion of the cost of weekly garbage collection. Other costs for related solid waste services like recycling, brush collection, self-help stations and special collections are also partially recovered through the fee. The current fee recovers nearly 80 percent of solid waste operating costs. No changes are planned to the Solid Waste and Snow and Ice Control Fees for 2007. These fees are expected to generate \$25 million and \$2.4 million, respectively. Leaf pickup and street sweeping costs will continue to be recovered through the Sewer Maintenance Fee of \$4.6 million transferred from the Sewer Maintenance Enterprise Fund to the General Fund. A new fee to charge residential property owners \$50 for special pickups (garbage set out that is greater than four cubic yards) will begin the second quarter of 2007. This fee is estimated at \$540,000.

While the property tax rate for 2007 purposes is \$7.99 compared to \$8.75 per \$1,000 of assessed value in 2006, the 2007 total city property tax levy of approximately \$220.1 million increased \$7 million compared to \$213.1 million in 2006. The estimated assessed value increased approximately 13% from 2006 to 2007. The property tax revenue reported in the General Fund was \$141.1 million for 2006 compared to \$135.6 million for 2005. Property tax revenue funding as a portion of total General Fund expenditures has remained relatively constant at 25.8% for 2006 and 24.7% for 2005 as depicted in Exhibits E-1 in 2006 and 2005, respectively.

The City of Milwaukee Water Works is a municipally owned water utility regulated by the State of Wisconsin Public Service Commission (PSC). The PSC regulates the rates at which water is sold by the Milwaukee Water Works. An inflation based rate increase of 3.4% became effective in September 2006. Additionally, the Water Works has submitted a request to the Public Service Commission for a full rate review, which is expected to increase rates an additional 6.6% in 2007. The actual rate change may be different based on the Public Service Commission determination.

CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2006

MAJOR CAPITAL PROJECTS

The 2007 capital budget includes funds for various infrastructure and building projects. For 2007, the City capital improvements budget totals \$155.5 million, a decrease of 5.7% or \$9.4 million from 2006. Funding of \$79.9 million for various tax incremental district and development projects comprises 51.4% of the total capital budget for 2007. In addition, the budget continues to fund the multi-year City Hall Restoration Project for \$15 million. These projects encompass 61% of the total 2007 capital budget.

Milwaukee's City Hall is an architecturally significant landmark building listed in the National Register of Historic Places. City engineering staff determined that City Hall's tower, roof, and walls needed work to restore the buildings' exterior. The City Hall Restoration program was introduced in 2002 with a total estimated cost of \$70 million for both contractor and City in-house labor. The repair and restoration work to address the deterioration of key exterior elements such as brick, terra cotta, sandstone, windows, embedded structural steel, copper and slate roofing was awarded to J.P. Cullen & Sons, Inc. in 2005 for \$59 million. Work on this project is expected to continue through 2008. The 2007 capital budget included \$15 million to address the expected 2007 cash flow requirements on the project.

Two new initiatives are included in the 2007 capital budget. \$2.5 million borrowing authority has been provided for start up costs for a Housing Trust Fund. The responsibility for financing affordable housing and services for the homeless does not lie with the City of Milwaukee alone. On moral and financial grounds, this is a shared responsibility. In addition, \$250,000 in general obligation borrowing is provided for an affordable Housing Initiative which will be made available to buy out Habitat for Humanity mortgages and to help renovate and construct new units.

The Water Works Enterprise Fund capital improvements budget for 2007 totals \$25.1 million; a 25% increase from the 2006 budget of \$20.1 million. In 2007, Water Works plans to increase its Water Main Replacement Program to address the problems in the aging distribution system. Funding of \$15.6 million will add 14.3 miles of water mains. This includes \$14 million for replacement distribution mains, hydrants and valves, \$1 million for the Feeder Main Program and \$.6 million for developer financed mains. In addition \$2.7 million is allocated for capital improvements at the Linnwood Facility for roof and gutter replacement; heating, ventilating and air conditioning upgrades; and, replacement windows. Also included is \$6.2 million for pump facility improvements primarily at the Riverside Pumping Station.

CASH MANAGEMENT POLICIES AND PRACTICES

The City maintains a pooled cash and investment account that is available for use by all funds, except the Debt Service Fund, the Water Works Enterprise Fund and component entities which maintain separate cash and investments. Cash temporarily idle during the year and under the control of the City Treasurer was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and commercial paper (all of which are permissible under State Statutes). The average interest earnings rate for City funds invested by the City Treasurer was approximately 4.78 percent in 2006 as compared to 3.0 percent in 2005. The City continued to use the State of Wisconsin Local Government Investment Pool to provide flexibility for short-term investments while maintaining high standards of safety and liquidity. In 2006 the average daily investable balance was \$275.3 million as compared to \$239.3 million in 2005, a 15.04% increase. The investable balance generates interest earnings for the City, which is used to offset the property tax levy.

During 2006, the City continued its prudent use of financing techniques and investment instruments to maximize its investment return while meeting on-going cash flow needs. The City's use of cash flow borrowing in anticipation of State Shared and State Equalization Aid Revenues totaled \$241 million in 2006, compared to \$238 million in 2005. The financing was accomplished through two separate offerings -- \$66 million General Obligation Cash Flow Promissory Notes in March 2006 for City purposes and \$175 million School Revenue Anticipation Notes in August 2006 for school purposes. The timing of these offerings provided the City with an opportunity to earn additional interest on investments and still comply with the requirements of the Tax Reform Act of 1986. The second borrowing represented a joint effort with Milwaukee Public Schools to finance school operations on an interim basis pending its receipt of State Equalization Aids and is not a general obligation of the City.

RISK MANAGEMENT

The City is self-insured for workers' compensation, employee Basic Plan health and dental insurance, uninsured motorist motor vehicle coverage for City employees, and general liability claims. With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risks. Instead, the City has found it is

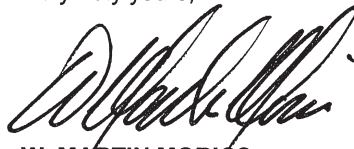
CITY OF MILWAUKEE
LETTER OF TRANSMITTAL
FOR THE YEAR ENDED DECEMBER 31, 2006

more economical to manage its risk internally, setting aside funds as needed for estimated current claim settlements and judgments through annual and supplemental appropriations as needed. The City does purchase and maintain limited coverage for certain facilities and employee bonding. Indemnity and insurance protection is also required of City contractors, vendors, lessees and permit holders.

ACKNOWLEDGEMENTS

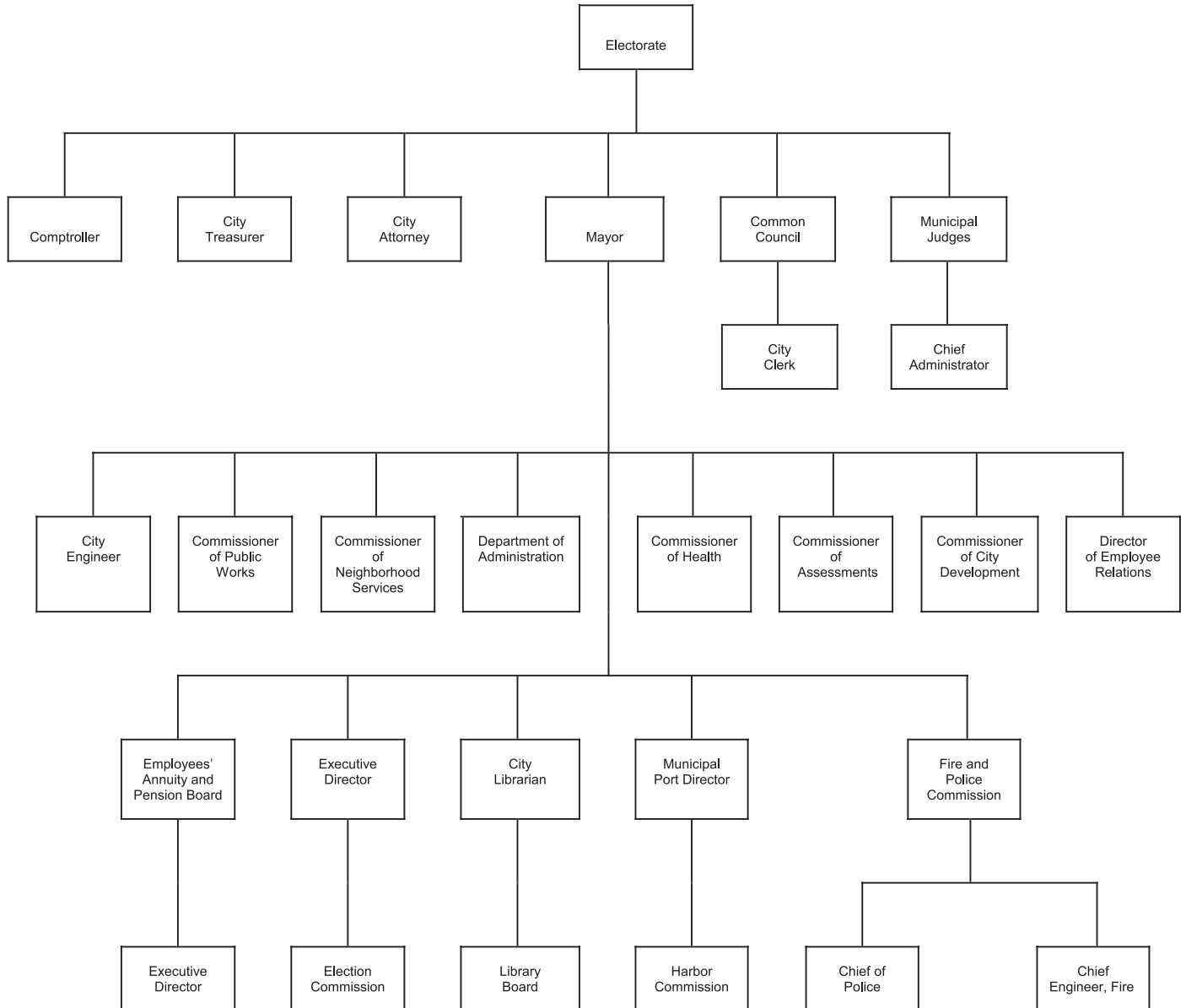
The Office of the Comptroller takes great pride in the preparation of this report. The professionalism, commitment and effort of each member of its General Accounting Division have made this presentation possible. The timely preparation of this report could not have been accomplished without the cooperation, dedication, and extensive involvement of the entire staff of the Office of the Comptroller and the able assistance of our independent auditors, KPMG LLP, as well as the accounting personnel of our component units. Special commendation and appreciation should be accorded to the dedicated staff of the Comptroller's Office in the preparation of this Comprehensive Annual Financial Report. In addition, I convey my appreciation to you and members of your respective staffs for your interest and support in planning and conducting the fiscal affairs of the City throughout the past year. The City will continue to remain fiscally sound through our cooperative efforts.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Martin Morics', written over a horizontal line.

W. MARTIN MORICS
Comptroller

City of Milwaukee
ORGANIZATION CHART
DECEMBER 31, 2006



CITY OF MILWAUKEE
NAMES OF PRINCIPAL OFFICIALS
DECEMBER 31, 2006

ELECTED

Mayor	Thomas M. Barrett
Comptroller	W. Martin Morics
City Treasurer	Wayne F. Whittow
City Attorney	Grant F. Langley
Municipal Judge	Derek C. Mosley
Municipal Judge	James A. Gramling, Jr.
Municipal Judge	Valarie A. Hill

COMMON COUNCIL

President	Willie L. Hines, Jr.
-----------------	----------------------

Aldermanic District

First	Ashanti T. Hamilton
Second	Joseph L. Davis, Sr.
Third	Michael S. D'Amato
Fourth	Robert J. Bauman
Fifth	James A. Bohl, Jr.
Sixth	Michael I. McGee, Jr.
Seventh	Willie C. Wade
Eighth	Robert G. Donovan
Ninth	Robert W. Puente
Tenth	Michael J. Murphy
Eleventh	Joseph A. Dudzik
Twelfth	James N. Witkowiak
Thirteenth	Terry L. Witkowski
Fourteenth	T. Anthony Zielinski
Fifteenth	Willie L. Hines, Jr.

Alderman

FINANCE RELATED (Non-Elected)

Administration Director	Sharon D. Robinson
Budget & Management Director	Mark P. Nicolini
City Purchasing Director	Cheryl L. Oliva
Commissioner of Assessments	Mary P. Reavey
Chief Information Officer	Randolf A. Gschwind

This page left blank intentionally.



KPMG LLP
777 East Wisconsin Avenue
Milwaukee, WI 53202

Independent Auditors' Report

To the Honorable Members
of the Common Council
of the City of Milwaukee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milwaukee (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Housing Authority of the City of Milwaukee, the Redevelopment Authority of the City of Milwaukee, the Milwaukee Economic Development Corporation, and the Neighborhood Improvement Development Corporation, which represents 100 percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information on pages 17 to 32; and Exhibit E-1, respectively, are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, miscellaneous financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, miscellaneous financial data and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Milwaukee, Wisconsin

July 30, 2007, except for the financial statements and related
note disclosures for the discretely presented component
units as to which the date is December 7, 2007

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Within this section of the City of Milwaukee Comprehensive Annual Financial Report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended December 31, 2006. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This *Management Discussion and Analysis* (MD&A) should be read in conjunction with the City's basic financial statements, which follow this discussion. Additional information is available in the letter of transmittal, which precedes Management's Discussion and Analysis. The MD&A focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

FINANCIAL HIGHLIGHTS

- The assets of the City of Milwaukee exceeded its liabilities at the close of fiscal year 2006 by \$1,062 million (net assets); \$415 million in governmental activities and \$647 million in business-type activities. Governmental activities' unrestricted net assets are a deficit of \$201 million. This indicates that the City is financing long-term liabilities as they come due rather than when they are incurred.
- The city's net assets of \$1,062 million compared to the previous year of \$1,038 million, increased by 2.3%.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$1,055 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$125 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted (\$118) million.
- The City's governmental funds reported total ending fund balance of \$270.6 million this year. Compared to the prior year ending fund balance of \$229.0 million, an increase of \$41.6 million resulted by year end 2006; an 18% increase.
- At the end of the current fiscal year, total fund balance for the General Fund was approximately \$105.2 million or 16.4% of total General Fund expenditures including transfers and 17.7% of total General Fund revenues including transfers.
- Total liabilities of the city increased by \$101 million to \$1,511 million during the fiscal year.
- General obligation bonds and notes payable increased by \$97 million during the current fiscal year from \$710 million to \$807 million. The key factors in this increase were the issuance of over \$253 million in general obligation bonds and notes for the continuing funding of capital projects and the issuance of debt on behalf of the Milwaukee Public Schools. Other factors contributing to this increase were scheduled retirement of general debt of \$156 million.
- For governmental activities, program revenue (consisting of charges for services, and of operating grants and contributions) supported 21.0% of the total expenses for 2006. Property taxes and other taxes represented 30.1% of the primary government's governmental activities' expenses and state aids for the General Fund equaled 34.7%. Miscellaneous revenues and transfers supported 15.4% of the expenses. As a result of 2006 activity, revenues and transfers exceeded expenses by 1.3%.
- For business-type activities, program revenue (consisting of charges for services, and of capital grants and contributions) supported 131.5% of the expenses for 2006; and, in total exceeded the expenses by \$45 million. Miscellaneous revenue net of transfers out totaled (\$31.5 million) and reduced this excess to \$13.5 million for the year.
- During the year, the City had governmental expenses of \$619.6 million more than its program revenues; general revenues and transfers of \$629.5 million resulted in an increase of net assets of \$10 million. This does not include \$16.3 million budgeted use of prior year surplus used to finance the General Fund expenditures for 2006. Business-type activities generated \$13.5 million of program revenues, general revenues and transfers greater than its expense at year end; and, had an increase of net assets of 2.1% over 2005.
- The general fund reported a positive fund balance for the year of \$105 million. Compared to \$85 million in 2005; the 2006 year end balance increased 23.5%. This increase is primarily a result of total actual revenues and other financing sources in the aggregate totaling \$20 million more than the aggregate of total expenditures and other financing uses during 2006.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

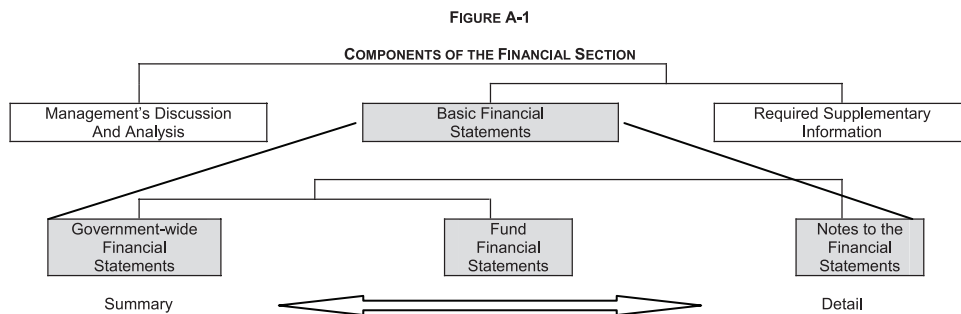
- New for 2006, the City issued General Obligation Cash-flow Promissory Notes for \$66 million rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).
- The operating expenditures of the General Fund were \$19.2 million less than budgeted. This favorable variance is a result of savings from general government departments of \$18.3 million; public safety departments of \$.4 million and public works, health, culture and recreation and conservation and development departments, in the aggregate, of \$0.5 million. Several major savings over the final budget for the year contributed to the total savings. A total of \$.6 million in departments was saved in salary accounts due to normal vacancies; \$0.8 million were saved in other operating costs. Special Purpose non-departmental appropriations assigned to the Department of Neighborhood Services, City Attorney, Comptroller, Employees Retirement Administration and other departments had a combined savings of \$1.3 million. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$6.0 million for the year. Health care costs were \$9.6 million less than budgeted during 2006. All other departmental miscellaneous costs saved \$0.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, (3) **Notes** to the financial statements. This report also includes other (4) **Required Supplementary Information**. Figure A-1 shows how the required parts of the annual report are arranged and relate to one another.

The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the government operates like businesses, such as the water and the sewer maintenance systems.
 - Fiduciary fund statements provide information about the financial relationships—like various benefit plans for the City's employees—in which the City is solely a trustee or agent for the benefit of others to whom the resources belong.



A summary of the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain are depicted in table Figure A-2. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

FIGURE A-2
MAJOR FEATURES OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the city for basic governmental services	The day-to-day operating activities of the city for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus, except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. All of the activities of the City, except those of a fiduciary nature, are included.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health, or financial position.

- Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.
- Other non-financial factors, such as changes in the property tax base and the condition of the roads are needed to assess the overall health of the City.

The government-wide financial statements of the City of Milwaukee are reported into three categories on these statements—governmental activities, business-type activities, and component units. A total column for the City is also provided.

- The *governmental activities* include the basic services of the City including general government (administration), police, fire, public works, health, culture, and development services. Taxes and general revenues generally support these activities.
- The *business-type activities* include the private sector type activities such as the water, sewer user charge, sewer maintenance, parking, and port. User charges or fees primarily support these activities.
- *Component units*—The City includes four other entities in its report. The Housing Authority and the Redevelopment Authority of the City of Milwaukee, Milwaukee Economic Development Corporation and the Neighborhood Improvement Development Corporation. Although legally separate, these component units are important because the City has financial accountability responsibility.

Fund Financial Statements

The City's major funds begin with Exhibit A-1. The fund financial statements provide detailed information about the most significant funds; not the City as a whole. The accounts of the City are organized on the basis of funds. Each fund is a separate fiscal and accounting entity with a self-balancing set of accounts including assets, liabilities, equities, revenues and

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

expenditures or expenses, which is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

The City has three fund types: governmental and proprietary which use the modified accrual and the accrual methods of accounting, respectively, and fiduciary funds.

- **Governmental funds:** Most of the City's basic services are reported in governmental funds, which focus on the modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine if more or fewer financial resources are available to be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.
- **Proprietary funds:** Operations which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control and other purposes. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- **Fiduciary funds:** The City is the trustee, or fiduciary, for its pension and other employee benefit trusts and various miscellaneous private purpose trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets in Exhibits C-1, C-2 and H-1. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes which follow Exhibits 1 through D-2 provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted. Required supplementary information is presented in Exhibit E-1.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The net assets and net expenses of governmental and business-type activities are depicted separately below. Table 1 focuses on the net assets and Table 2 focuses on the changes in net assets.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Table 1
Summary of Statement of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$ 791,833	\$ 838,816	\$ 101,621	\$ 119,505	\$ 893,454	\$ 958,321
Capital assets	873,744	915,171	680,939	699,209	1,554,683	1,614,380
Total assets	<u>1,665,577</u>	<u>1,753,987</u>	<u>782,560</u>	<u>818,714</u>	<u>2,448,137</u>	<u>2,572,701</u>
Long-term liabilities outstanding	749,904	819,157	121,663	146,080	871,567	965,237
Other liabilities	510,360	519,563	27,958	26,195	538,318	545,758
Total liabilities	<u>1,260,264</u>	<u>1,338,720</u>	<u>149,621</u>	<u>172,275</u>	<u>1,409,885</u>	<u>1,510,995</u>
Net assets:						
Invested in Capital assets, net of related debt	492,841	500,045	560,899	554,966	1,053,740	1,055,011
Restricted	109,149	115,803	8,383	8,748	117,532	124,551
Unrestricted	(196,677)	(200,581)	63,657	82,725	(133,020)	(117,856)
Total net assets	<u>\$ 405,313</u>	<u>\$ 415,267</u>	<u>\$ 632,939</u>	<u>\$ 646,439</u>	<u>\$ 1,038,252</u>	<u>\$ 1,061,706</u>

Net assets of the city's governmental activities increased 2.5% to \$415.3 million for 2006. These net assets are restricted as to use in the amount of \$115.8 or are invested in capital assets in the amount of \$500.0 (buildings, roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. The unrestricted net assets deficit (\$200.6) at the end of the year does not mean that the City does not have adequate financial resources available to pay its bills next year. Instead, it is because the City's annual budgets do not include the full amounts needed to finance future liabilities arising from property and casualty claims, and to pay for unused employee vacation and sick days, and debt not issued for City capital assets. The City will include these amounts in future years' budgets as they come due.

The net assets of business-type activities increased 2.1% to \$646.4 million in 2006. The City generally can only use these net assets to finance the continuing operations of the specific enterprise activity it relates to.

Long-term liabilities for governmental activities increased 9.2% from 2005 due primarily by the issuance of long-term debt. For business-type activities, long-term liabilities increased 20.1% from 2005 due to the issuance new general obligation debt for the Sewer Maintenance Enterprise Fund in the amount of \$33 million during 2006.

Total assets, including capital assets increased \$124.6 million or 5.1% from 2005. Capital assets of the primary government increased 3.8% from the previous year. For 2006, business-type activities, the Water Works and the Sewer Maintenance Funds have 91% of the City's total net capital assets. These are the City's two largest enterprise funds (business-type). The Water Works capital assets (53%) consist primarily of water mains and related water facilities and plants; and, the Sewer Maintenance Fund (38%) includes all the various sewer mains and connections.

Changes in net assets. The calculation of revenues less expenses is the change in net assets. The City's total program and general revenues totaled \$760.8 million for the governmental activities. Of revenues, 31% comes from property and other taxes and 48% comes from intergovernmental revenues (state aids, federal and state grants). Charges for services category represents only 10% of the total revenues, and the remaining 11% coming from licenses, permits, fines and forfeits and miscellaneous other sources.

The City's governmental activity expenses cover a range of services, with 34% related to public safety (fire and police, neighborhood services). The City's general expenses exceeded its program revenues for governmental activities by 79%; total general revenues combined with program revenue and transfers resulted in a positive change in net assets of \$10 million or 1.3% of total general expenses for governmental activities. The margin for business-type activities had 31.5% of program revenues greater than expenses and a 7.6% margin of total revenues more than expenses and transfers out. Chart 1 Expenses and Program Revenues – Governmental Activities and Chart 2 Expenses and Program Revenues – Business –type Activities depict this comparison.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Table 2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table 2
Changes in of Net Assets
(Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program revenues:						
Charges for services	\$ 63,410	\$ 73,528	\$ 178,331	\$ 180,122	\$ 241,741	\$ 253,650
Operating grants and contributions	87,718	91,271	-	-	87,718	91,271
Capital grants and contributions	-	-	1,850	7,780	1,850	7,780
General revenues:						
Property taxes and other taxes	224,918	236,043	-	-	224,918	236,043
State aids for General Fund	272,875	272,417	-	-	272,875	272,417
Miscellaneous	82,796	87,510	1,460	2,058	84,256	89,568
Total revenues	<u>731,717</u>	<u>760,769</u>	<u>181,641</u>	<u>189,960</u>	<u>913,358</u>	<u>950,729</u>
Expenses						
General government	180,975	179,647	-	-	180,975	179,647
Public safety	263,852	263,608	-	-	263,852	263,608
Public Works	155,048	154,644	-	-	155,048	154,644
Health	27,036	27,316	-	-	27,036	27,316
Culture and recreation	19,931	21,506	-	-	19,931	21,506
Conservation and development	57,245	66,092	-	-	57,245	66,092
Capital contribution to						
Milwaukee Public Schools	18,002	14,028	-	-	18,002	14,028
Contributions	25,465	25,412	-	-	25,465	25,412
Interest on long-term debt	22,589	32,131	-	-	22,589	32,131
Water	-	-	58,230	58,074	58,230	58,074
Sewer Maintenance	-	-	26,096	26,605	26,096	26,605
Parking	-	-	22,369	22,609	22,369	22,609
Port of Milwaukee	-	-	3,252	3,671	3,252	3,671
Metropolitan Sewerage District User Charges.	-	-	31,537	31,932	31,537	31,932
Total expenses	<u>770,143</u>	<u>784,384</u>	<u>141,484</u>	<u>142,891</u>	<u>911,627</u>	<u>927,275</u>
Increase in net assets before transfers	(38,426)	(23,615)	40,157	47,069	1,731	23,454
Special item - receipt of loans receivable	14,325	-	-	-	14,325	-
Transfers	33,631	33,569	(33,631)	(33,569)	-	-
Increase in net assets	9,530	9,954	6,526	13,500	16,056	23,454
Net assets – Beginning	<u>395,783</u>	<u>405,313</u>	<u>626,413</u>	<u>632,939</u>	<u>1,022,196</u>	<u>1,038,252</u>
Net assets – Ending	<u>\$ 405,313</u>	<u>\$ 415,267</u>	<u>\$ 632,939</u>	<u>\$ 646,439</u>	<u>\$ 1,038,252</u>	<u>\$ 1,061,706</u>

Governmental Activities

Revenues for the city's governmental activities were \$760.8 million, while total expenses were \$784.4 million for 2006. All revenues, excluding transfers, are supporting 97% of the total expenses; or 101.3% with transfers. Comparable data for 2005 indicates 95% of all revenues, excluding transfers and special items supported the 2005 expenses and, 99.4% with transfers.

Property taxes represent 31% of the total revenues for 2006 compared to 30.7% for 2005; a 4.9% increase. The increase in revenues is primarily due to an increase in collections. State aids for the General Fund of \$272.4 million decreased from 2005 by \$.5 million or .18%. The combined property taxes and state aids comprised approximately 66.8% of the total revenues for governmental funds in 2006 compared to 68% in 2005. Charges for services equaled 9.7% of the total revenues in 2006 compared to 8.7% in 2005.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Governmental activities had expenses increase 1.9% in 2006 to \$784.4 million from \$770.1 million in 2005. Expenses for general government, which comprise 23.0% of the total expenses, decreased .7% in 2006. Public safety expenses represent the largest category of governmental activities or 33.6% of the total expenses for 2006 which is a decrease from .09% in 2005. The largest change occurred in the interest on long-term debt category; and increase of 42.2% over 2005 due to a combination of increasing debt and higher interest rates.

Chart 1
2006 Expenses and Program Revenues - Governmental Activities

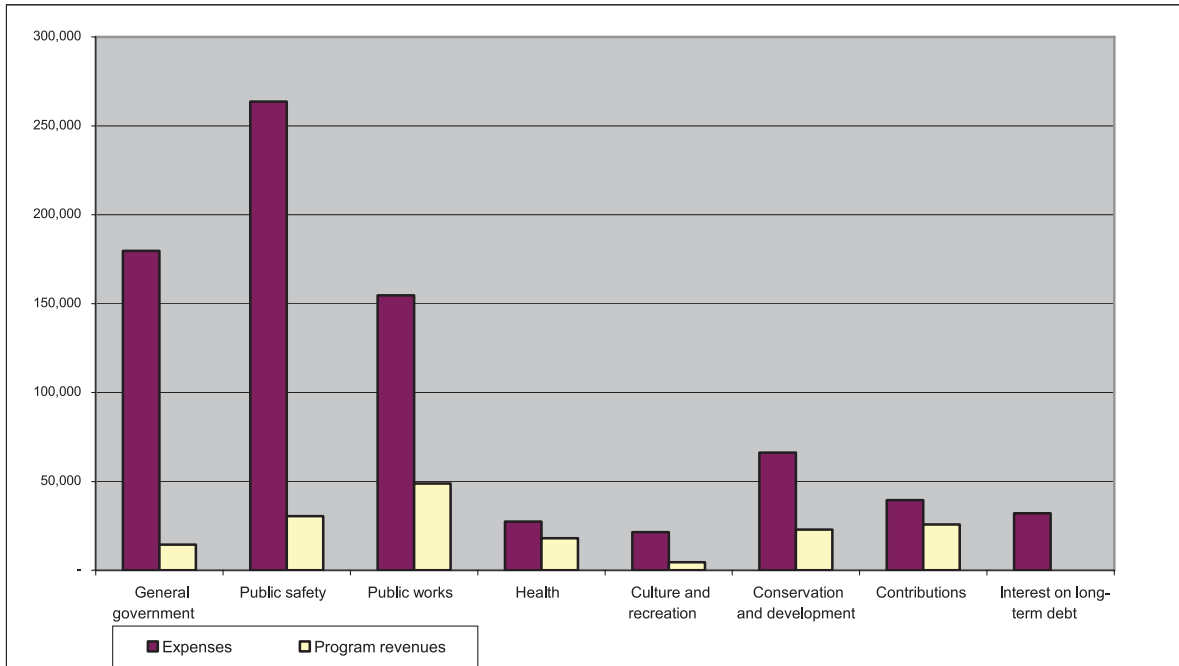


Table 3 presents the cost of each of the City's largest programs as depicted in the Chart 1 above, as well as each program's net costs (total cost less the revenues generated by the activities). General government includes most city departments, such as, Mayor, Common Council, Administration and Employee Relations, Municipal Court, City Attorney, Comptroller and Treasurer. Public safety includes Fire, Police and Neighborhood Services. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Table 3
Governmental Activities
(Thousand of Dollars)

	Total Cost of Services		Net Cost of Services	
	2005	2006	2005	2006
General government	\$ 180,975	\$ 179,647	\$ 167,840	\$ 165,232
Public safety	263,852	263,608	235,397	233,089
Public works	155,048	154,644	116,145	105,865
Health	27,036	27,316	10,029	9,295
Culture and recreation	19,931	21,506	15,705	17,087
Conservation and development	57,245	66,092	33,030	43,253
Contributions	43,467	39,440	18,280	13,633
Interest on long-term debt	22,589	32,131	22,589	32,131
Total Governmental Activities	<u>\$ 770,143</u>	<u>\$ 784,384</u>	<u>\$ 619,015</u>	<u>\$ 619,585</u>

The Table 3 above indicates that the cost of services not funded with direct program revenue for governmental activities increased in 2006 to \$619.6 million from \$619.0 million in 2005 or .1% change. For 2006, Public Safety's net cost of services represents the largest category of total expenses at 37.6%, a decrease from 38% compared to 2005. The total costs of services increased overall by 1.8%. This indicates that total program revenue for the purposes is not increasing in proportion to the total cost of governmental services.

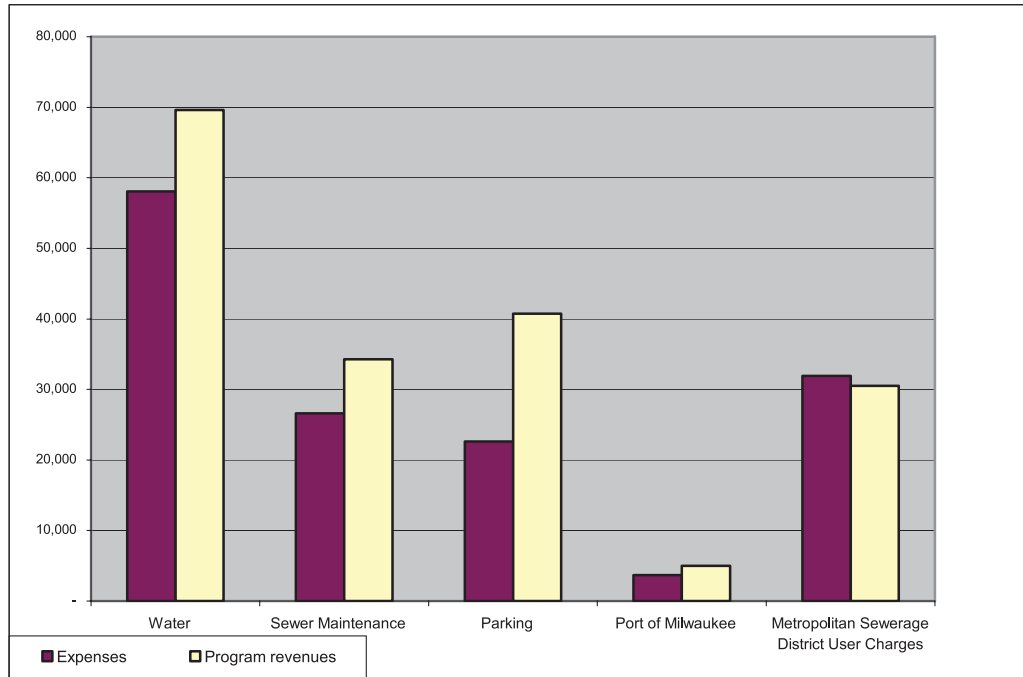
Business-type Activities

The three major enterprises or business-type activities are water, sewer maintenance and parking operations. The Water Works had operating expenses of \$56.4 million and operating income of \$13.0 million. The Sewer Maintenance had operating income of \$15.0 million after generating expenses of \$19.2 million. The City parking facilities operating expenses during 2006 were \$22.0 million with net operating income of \$17.9 million.

Total revenues on Table 2 shows an increase of \$8.3 million in 2006 compared to 2005, or 4.6%. Total expenses and transfers of all enterprise funds of the City increased \$1.4 million, from \$175.1 million in 2005 to \$176.5 million in 2006. This resulted in a change in net assets activity for the year 2006 of an increase of \$7 million compared to 2005. The year-end Total Net Assets increased by \$13.5 million or 2.1%. Of this increase in Net Assets, 66.8% is attributable to the Water Works operations. However, the Water Works Net Assets increased only 2.4% from 2005.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Chart 2
2006 Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

Governmental Funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. In particular, the Reserved for Tax Stabilization in the General Fund may serve as a useful measure for the City's net resources available for financing subsequent year's budget to help stabilize the tax rate. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As the City completed the year, its Governmental Funds (as presented in the balance sheet on Exhibits A-1) reported a combined fund balance of \$270.6 million, an increase of \$41.6 million or 18% over last year. A major contributor for this increase is due to the increase in the solid waste fee from \$75 per year to \$132 per year effective in 2006. This increase in the fee has generated an increase in Charges for Services Revenues in the General Fund of \$10.8 million over the previous year. Also, General Fund Miscellaneous Revenues included an increase in interest on investments of \$3.9 million due to an increase in rate and available balance greater than in 2005. The annualized yield return on investment was 4.78% compared to 3.05% in 2005. The average balance increased from \$239 million in 2005 to \$275 million in 2006. In addition, the expenditures for various capital projects in advance of the issuance of debt resulted in a net fund deficit of \$.8 million in 2005; with the receipt of bond proceeds in 2006, the total capital projects fund balance at year end 2006 is a \$14.5 million. Total debt issued for capital projects totaled \$112.9 million in 2005 compared to \$135 million in 2006. At year end, the capital projects with a fund deficit were Fire (\$396,000), Playgrounds & Recreation (\$10,000), Sewers (\$14,000), and Tax Incremental Districts (\$562,000). The fund balance deficit of \$14.4 million for special assessment capital projects remained constant compared to \$15.0 million in 2005. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years. Other capital projects such as bridges, special projects, library, police, public buildings, urban renewal and streets netted a positive fund balance at year end of \$29.9 million.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

The total reserves of the General Fund increased 23.5% to \$105 million from \$85 million in 2005. Of this amount, \$23.1 will finance the 2007 budget, with \$58.9 available for 2008 and subsequent years' budgets.

Revenues for governmental functions overall totaled \$758.1 million in the fiscal year ended December 31, 2006, which represents an increase of approximately 3.7% from the fiscal year ended December 31, 2005. Expenditures for governmental funds totaled \$974.9 million, an increase of 9.1%. In the aggregate, expenditures exceeded revenues by \$217 million, or approximately 29%. Other financing sources closed the gap, leaving the total net change in fund balances with an increase of \$41.5 million for the year. In comparison for the year 2005, the total net change in fund balances resulted in an increase of \$23.5 million. Other financing sources include proceeds from issuance of debt and transfers from enterprise funds and receipt of loans receivable transferred from the Neighborhood Improvement Development Corporation component unit.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$20 million or 23.5%. Key factors contributing to this increase are revenues and other financing sources totaled approximately \$659.7 million and expenditures and other financing uses totaled approximately \$639.7 million - detailed in Table 4 below. While expenditures remained consistent with the prior year, decreasing by .29% over 2005, revenues increased 4.2% over 2005, the net result ended with expenditures exceeding revenues by 3.2%. Other Financing Sources (consisting of debt proceeds and transfers in from other funds), exceeded Other Financing Uses (consisting of transfers out to other funds) by \$37.3 million.

The following table presents a summary of revenues and expenditures of the General Fund compared to prior year:

Table 4
General Fund
Summary of Revenues, Expenditures and Other Financing Sources and Uses
(Thousands of Dollars)

Revenues and Other Financing Sources				Expenditures and Other Financing Uses			
Revenues:	2005	2006	% Change	Expenditures:	2005	2006	% Change
Property taxes	\$ 135,610	\$ 141,102	4.05%	General Government.....	\$ 206,055	\$ 203,416	-1.28%
Other taxes	3,709	5,202	40.25%	Public Safety.....	248,366	250,672	0.93%
Licenses and permits	13,374	13,729	2.65%	Public Works.....	89,180	86,482	-3.03%
Intergovernmental	272,875	272,417	-0.17%	Health.....	10,656	10,428	-2.14%
Charges for services	63,410	73,528	15.96%	Culture and recreation	16,744	17,882	6.80%
Fines and forfeits	5,893	5,541	-5.97%	Conservation and			
Contributions received	25,187	25,807	2.46%	development	2,767	3,217	16.26%
Other	12,179	17,353	42.48%		-	-	
Total Revenues	532,237	554,679	4.22%	Total Expenditures	573,768	572,097	-0.29%
Other Financing Sources				Other Financing Uses			
Debt proceeds	-	66,000		Transfers out	3	67,630	225%
Transfers in	39,725	38,996	-1.84%	Total Expenditures			
Total Revenues and				and other Financing			
Other Financing Sources .	<u>571,962</u>	<u>659,675</u>	15.34%	Uses	<u>\$ 573,771</u>	<u>\$ 639,727</u>	11.50%
Excess of Revenues							
over Expenditures	<u>(41,531)</u>	<u>(17,418)</u>	-58.06%				
Net Change in							
Fund Balance	<u>\$ (1,809)</u>	<u>\$ 19,948</u>	-1202.71%				

Total General Fund revenues for 2006 totaled \$554.7 million. The largest revenue category is intergovernmental of \$272 million with 49% of the total revenue. The second largest revenue source is Property Taxes with \$141 million or 25%. Charges for Services, which includes revenues for services provided by City departments, comprises 13.3% or \$73.5 million.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

These three categories combined comprise 87.7% of the total revenues for 2006. The largest percentage increase in revenues compared to 2005 was the other category of which the largest component is interest earnings a 42.5% increase.

New for 2006, the City issued General Obligation Cash-flow Promissory Notes rather than Revenue Anticipation Notes in advance of receipt of the State Shared Revenues for \$66 million. With the receipt of these revenues, an amount equal to the debt was transferred to the Debt Service Fund (the legal fund established to pay the debt).

The General Obligation Debt Service Fund increased its fund balance from \$44.2 million to \$52.3 million or 18.3%. The Public Debt Amortization Fund showed a slight decrease of .1% from \$73.7 million to \$73.6 million at year-end for its fund balance. Property Taxes, Charges for Services and Other Revenues of the General Obligation Debt Service increased significantly from \$79.3 million in 2005 to \$89.9 million in 2006 to support increasing debt. Revenues combined with Other Financing Sources totaled \$200 million; expenditures combined with Other Financing Uses totaled \$192 million; resulting in a Net Change in Fund Balance for year end 2006 of \$8 million.

Capital Projects Funds are used to account for the financial resources segregated for the acquisition or construction, repair of major capital facilities other than those financed by proprietary funds. At year end, 2006 showed a fund balance of \$14.5 million (an increase in the fund balance of \$15.3 million from 2005). In 2006, total debt proceeds amounted to \$135 million as compared to \$112.9 million in 2005, a 19.6% increase. Total revenues decreased 30.8% from \$37.4 million to \$25.9 million; expenditures increased from \$139.0 million to \$145.1 million or 4.4%. The issuance of bonds and notes during 2006 for capital purposes combined with revenues and transfers were sufficient to cover the current year's expenditures in total and eliminate the deficit in fund balance at year end 2005. The capital projects with a fund deficit were Special Assessments of \$14.4 million and the combined deficits of Fire, Playgrounds and Recreation, Sewers and Tax Incremental Districts totaled \$1 million. The fund balance deficit of \$14.4 million for special assessment capital projects remained constant compared to \$15.1 million in 2005. This deficit is due to the financing of capital projects prior to the issuance of the special assessment bills. These bills, if over \$125 are payable over six years. Other capital project such Bridges, Special Projects, Library, Police, Public Buildings, Urban Renewal and Streets netted a positive fund balance at year end of \$29.9 million.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status, but in more detail.

At the end of the fiscal year, the total unrestricted net assets for all enterprise funds were \$82.7 million. This was an increase from \$19 million at December 31, 2005 or 23%. This increase consists of, \$21.8 million in Sewer Maintenance, \$1 million in the Parking and decreases of \$1.7 million in Water Works and \$2.1 million in the nonmajor enterprise funds.

Total operating revenues of the enterprise funds increased 1.0% from 2005 - \$177.2 million to \$178.9 million in 2006; total operating expenses increased to \$132.8 in 2006 from \$131.7 in 2005 or .8%. The Water Works is the largest enterprise activity for the City, comprising approximately 38.8% of the total operating revenues. The Sewer Maintenance Fund comprises 19% of the total operating revenues. Both funds primarily bill customers based on water consumption. For 2006 Water Works operating revenues decreased 2.9% and Sewer Maintenance revenue increased 10.3%; all other enterprise funds combined increased slightly by .8%. Water Works non-operating revenues for 2006, which is mainly composed of interest income, increased by 22% or \$.3 million from 2005. This increase is due to a favorable interest rate on investments in 2006.

The Water Works had total operating and non-operating expenses of \$58.1 million for 2006 compared to \$58.2 million for 2005. Excluding depreciation expense, operating expenses remained consistent with the previous year; decreasing by \$.4 million or .9% in 2006. The non-operating expenses of the Water Works decreased by \$.295 million due to the declining principal balances on outstanding debt resulting in less interest expense.

The total operating expenses of all the enterprises funds, except Water Works, remained consistent with 2005 and increased approximately 1.3%.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

General Fund Budgetary Highlights

Over the course of the year, the City Council adopted three resolutions which increased the appropriations of the General Fund due to greater than anticipated revenues. These increased budgets permitted departments to spend additional appropriations due to the increase in revenues related to the purpose being expended. \$251,893 was received from third party workers' compensation claims as insurance settlements during 2006. In addition, the Department of Administration increased its budget for services reimbursed by Milwaukee County Automated Mapping and Land Information System (MCAMLIS) in the amount of \$38,254 and the Special Purpose non-departmental account for Firemen's Relief was increased by \$13,786.

The original budget for expenditures includes the adopted budget plus the encumbrances carried over from 2005 less the encumbrances carried over to 2007. The Final budget includes the original budget as defined plus appropriations authorized for carry over from 2005 by Common Council less those appropriations authorized for carryover to 2007. In addition, certain appropriations are budgeted in a general non-departmental account (i.e. contingency) and are only transferred from this non-departmental appropriation account to specific departments to expend after authorization by the Common Council. These appropriation adjustments are part of the final budget. As detailed in Required Supplementary Information Section, Exhibit E-1, the General Fund original budget for expenditures was \$562.3 million with the final budget at \$565.8 million. This is an increase over the fiscal year 2005 with original budget at \$541.1 million and final budget at \$558.2 million. The resulted increase was 3.9% and 1.4% for the original and final budgets, respectively.

The original budget relating to estimated revenues of the General Fund was \$518.7 million with the final budget increasing by \$304,000 to \$519 million per the authorized resolutions detailed above. The 2006 original and final budgets as depicted in Exhibit E-1 show a 4.8% net change from the previous year's original 2005 budget, final 2005 budget of \$495.2 million and \$495.4 million, respectively.

For the fiscal year ended December 31, 2006, the General Fund had a positive variance of \$9.8 million in revenues over estimated revenues. Most actual revenue categories increased compared to 2005 in a range from 2.65% in Licenses and permits to 42.5% in Other, Intergovernmental Revenues and Fines and Forfeits decreased .2% and 6%, respectively from 2005 of \$272.9 million and \$5.9 million, respectively, to 2006 of \$272.4 million and \$5.5 million, respectively or a \$.458 million and \$.352 million, respectively. An overall revenue increase of \$21.8 million over 2005's total revenue of \$507 million calculates to total revenue for 2006 of \$528.9 million, or a 4.3% increase. While the categories indicate various individual fluctuations, two of the noteworthy changes over 2005 actual revenue include \$10.8 million increase in Charges for Services due to an increase in the solid waste fee from \$75 per year to \$132 per year or a 76% increase in total revenues received. The Other category increased \$5.2 million from 2005; interest income on investments is included in this category. Interest earnings revenue increased \$4.6 million due to a combination of rate increase and available investable balance. The average interest rate of return on the pooled investments with the State's Local Government Pooled Investment Fund was 4.78% compared to 3.05% in 2005 with an increase in the investable balance from \$239 million in 2005 to \$275 million in 2006.

A favorable variance of \$19.2 million in unexpended budget resulted by year end 2006. The general government contributed \$18.3 million; public safety added \$.4 million and public works, health culture and recreation and conservation and development, in the aggregate, added \$.5 million. Several major savings over the final budget for the year contributed to the total savings. A total of \$.6 million in departments was saved in salary accounts due to normal vacancies; \$.8 million were saved in other operating costs. Special Purpose non-departmental appropriations assigned to the Department of Neighborhood Services, City Attorney, Comptroller, Employees Retirement Administration and other departments had a combined savings of \$1.3 million. In addition, the combined savings from the Comptroller, Employees' Retirement and Department of Employee Relations resulted in a favorable variance in various fringe benefit costs that were allocated to capital projects rather than to general fund accounts, and thus saved \$6.0 million for the year. Health care costs were \$9.6 million less than budgeted during 2006. All other departmental miscellaneous costs saved \$0.9 million

Overall the total 2006 budgeted expenditures decreased \$1.6 million compared to 2005 or .3%. Salaries and Wages decreased \$431,000 or .1%, Other Operating Costs decreased \$2,769,000 or 1.3% and Equipment increased \$1,582,000 or 30.4% as a result of equipment purchases in Police and Public Works vehicles and Library equipment.

The City's General Fund's beginning fund balance of \$85.2 million as reported on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison schedule by the amount of the budgeted withdrawal from the Reserve for Tax Stabilization of \$16.3 million. For budgetary purposes, this withdrawal is reflected as other financing sources, whereas for accounting purposes it is reflected as part of the fund balance.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Chart 3
2006 City Spending by Function - Governmental Funds

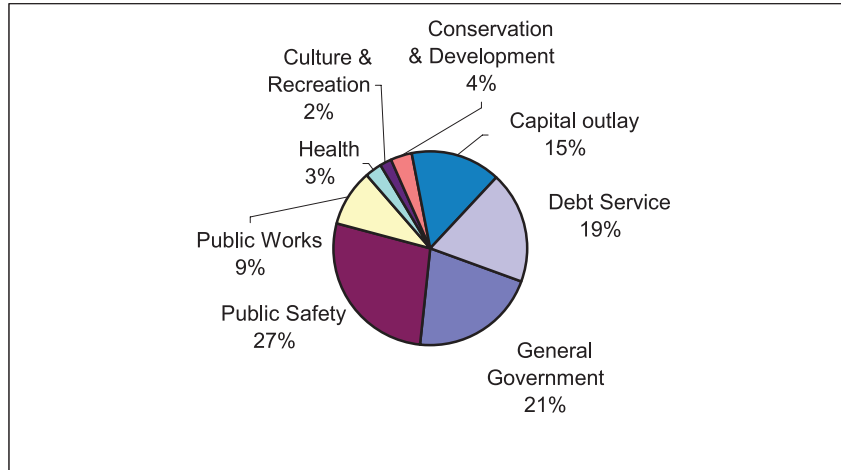
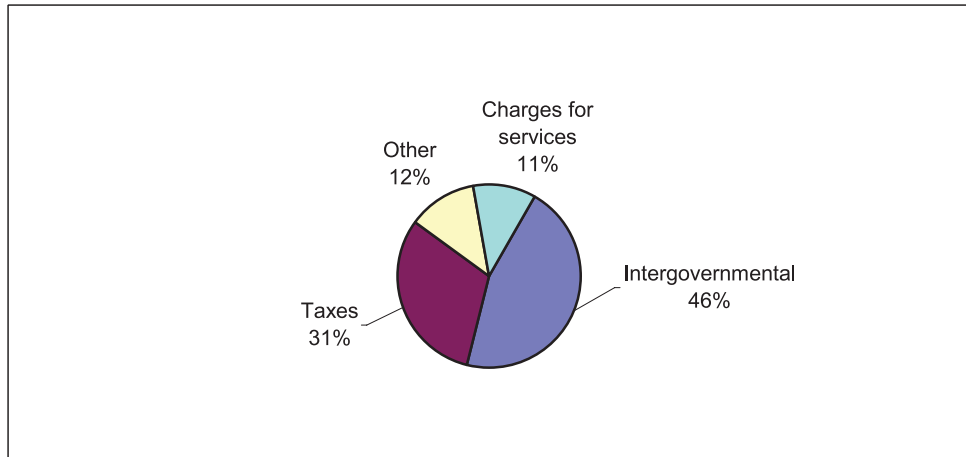


Chart 4
2006 Revenues by Source - Governmental Funds



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of December 31, 2006, total \$1,614.4 million (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, machinery and equipment, furniture and furnishings, non-utility property, and construction in progress. The total increase in the City's capital assets for the current fiscal year was \$59.7 million or 3.8%. Governmental activities' capital assets increased \$41.4 million or a 4.7% increase from 2005. Business-type activities' capital assets increased \$18.3 million or 2.7% at the end of 2006. A schedule comparing the assets by type for 2005 and 2006 for both governmental and business-type activities is depicted in Table 5 below. The net change in assets as detailed in Note 4 reports that additions were \$83 million and

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2006

deletions were \$41.6 million for 2006 for governmental activities. The Sewer Maintenance Fund had a net change in capital assets that resulted in an increase of \$13.8 million. Of the sewer maintenance fund's net assets at year end, 87.9% relate to the sewer mains infrastructures. Infrastructure net assets of the Water Works comprise 63% of its total net assets with 31.8% consisting of machinery and equipment. The total net change in all water works net assets was an increase of 1.4%.

Table 5
Capital Assets
 (net of depreciation)
 (Thousands of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Capital assets not being depreciated:						
Land	\$ 163,482	\$ 164,425	\$ 18,012	\$ 18,309	\$ 181,494	\$ 182,734
Construction in progress	64,594	75,228	46,176	40,865	110,770	116,093
Capital assets being depreciated:.....						
Buildings	160,313	191,225	84,355	84,261	244,668	275,486
Infrastructure	1,298,714	1,316,526	606,460	638,099	1,905,174	1,954,625
Improvements other than buildings	9,082	11,036	25,067	25,183	34,149	36,219
Machinery and equipment	122,716	138,418	206,736	210,915	329,452	349,333
Furniture and furnishings	-	-	70	70	70	70
Nonutility property	-	-	3,019	5,317	3,019	5,317
Accumulated depreciation	(945,157)	(981,687)	(308,956)	(323,810)	(1,254,113)	(1,305,497)
Total	\$ 873,744	\$ 915,171	\$ 680,939	\$ 699,209	\$ 1,554,683	\$ 1,614,380

Debt

At year-end, the City had \$807.5 million in general obligation bonds and notes, and \$68.1 million in revenue bonds outstanding as itemized in Table 6.

Table 6
Outstanding Debt
General Obligation and Revenue Bonds
 (Thousand of Dollars)

	Governmental Activities		Business-type		Total Primary Government	
	2005	2006	2005	2006	2005	2006
General obligation bonds (backed by the City)	\$ 664,285	\$ 733,327	\$ 46,125	\$ 74,135	\$ 710,410	\$ 807,462
Capital lease payable	174	-	-	-	174	-
Revenue bonds (backed by specific fee revenues)	-	-	71,476	68,150	71,476	68,150
Total	\$ 664,459	\$ 733,327	\$ 117,601	\$ 142,285	\$ 782,060	\$ 875,612

New debt (excluding refunding bonds) issued for general obligation bonds and notes totaled \$252.8 million, of which \$35.3 million related to Sewer Maintenance, Parking, and Port Enterprises. New for 2006, is the issuance of \$34 million of general obligation bonds and notes to finance the Sewer Maintenance capital improvements.

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

The City continues to maintain high investment grade ratings from the three major rating agencies. A rating of AA+ from Fitch Ratings, AA from Standard and Poor's Corporation, and Aa from Moody's Investors Service, Inc, were received on the City's December 2006 general obligation bonds issues.

The city's gross general obligation debt per capita, excluding enterprise fund debt, was \$1,046 at the end of 2005, and \$1,153 at the end of 2006; a 10.3% increase from the prior year. As of December 31, 2006, the City's outstanding net general obligation debt was 2.59% of the City's total taxable value of property. (Statistical Section - Table 9) The legal debt limit is 7% of equalized property value, including Milwaukee Public Schools debt, which also is issued by the City. Excluding the 2% limit on School debt, the City has a 5% legal debt limit and has reached about 57.5% of this limit. For the 16th year, the City issued general obligation notes to purchase a portion of General Fund delinquent taxes in the amount of approximately \$14.7 million. Collections on these taxes and related interest will be used to meet the related debt service requirements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total property taxes levied for all funds of the City in 2006 for 2007 purposes decreased \$.76 cents per thousand dollars of assessed valuation to a rate of \$7.99.

- The Solid Waste Fee increased \$57 per year from an annual charge of \$75 to \$132. The change generated \$10.6 million in additional revenues for 2006. At the level of \$75 the city recovered approximately 50% of its operating costs. The increased fee will recover nearly 87% of solid waste operating costs.
- The Snow and Ice Control Fee will remain at its current rate of \$0.2736 per foot of property frontage, and generate \$2.4 million.
- Leaf pick-up and street-sweeping costs are recovered through the City's sewer maintenance fee. These will be in the form of a \$4.6 million non-operating expense from the Sewer Fund to the General Fund in 2006.
- In July of 2006, the Milwaukee Water Works began billing for the new Storm Water Management Fee. The fee is intended to more equitably distribute the cost of the sewer system across customer classes and preserve the financial sustainability of the Sewer Maintenance Enterprise Fund. In 2007, the Storm Water Management Fee will remain constant at \$8 per quarter per Equivalent Residential Unit.
- In 2006, the Sewer Maintenance Enterprise fund had a split sewer rate. In the first two quarters, the rate was \$1.27 per 100 cubic feet of water. When the Storm Water Management Fee became effective in July, the rate was dropped to \$0.85 per cubic feet, so that the average overall residential fees for sewer service would not change. In 2007, the rate will increase to \$0.925 per cubic feet. As a result, the average residential bill, including the Storm Water Management Fee, will increase by approximately 6%.

The 2007 adopted City Budget is about \$1.2 billion with the budget for the General Fund at \$624.3 million. The General Fund budgets increased more than 3.6% over the 2006 budget of \$602.8 million. Of this increase, 42.3% is attributable to two areas. In 2007, the City will pay \$106.7 million for health insurance and related costs compared to \$103.3 million budgeted for 2006, an increase of 3.3%. Another major increase involves the cost of the Employees Retirement Administration which increased \$5.7 million over 2006 primarily due to increase in professional and information technology services and the continual work on the custom automation project. Estimated Full-time Equivalents (FTE) for all General Fund Departments have a budgeted increase of 103 with the Fire and Police Departments having a combined increase of 136 FTE's.

The property tax levy will provide \$96.0 million revenue for the general city purposes budget in 2007. This represents a decrease of \$2.8 million from 2006 or 2.8%. The total city tax levy increased from \$213.1 million for 2006 to \$220.1 million for 2007 or a \$7 million increase. The resulting property tax rate of \$7.99 is a 76 cent decrease from the 2006 rate of \$8.75 per \$1,000 of assessed valuation. The 2007 budget includes \$76.8 million in revenue from charges for services, an increase of \$3.2 million. This category of funding encompasses revenue received for services provided by City operating departments. The solid waste fee is the largest revenue source in this category and is expected to generate \$25 million for 2007. This specific fee represents 33% of the total charges for services in the 2007 budget

A new fee to charge residential property owners \$50 for special pickups (garbage set out that is greater than four cubic yards) will begin in the second quarter of 2007. This is anticipated to generate \$540,000 of new general fund revenues.

The unemployment rate for 2006 is 6.5 percent, the same as in the previous year; but, down from the record high over the last ten years of 8.9 percent which occurred in 2002. The per capita income for the most recent fiscal year available (2005) was \$33,888 (a 4.2% increase from 2004).

CITY OF MILWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

The City's population is beginning to show a minor but continual decline since 2002. The following table depicts this change over the last five years and represents a .88% decrease from 2002 to 2006:

2002	595,958
2003	595,245
2004	593,920
2005	592,765
2006	590,730

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact the City of Milwaukee, Office of the City Comptroller, Office, City Hall, 200 East Wells Street Room 404, Milwaukee, WI 53202.

**BASIC
FINANCIAL
STATEMENTS**

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
December 31, 2006
(Thousands of Dollars)

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 320,789	\$ 75,332	\$ 396,121	\$ 56,851
Investments	32,172	-	32,172	5,586
Receivables (net):				
Taxes	163,977	56	164,033	-
Accounts	21,116	27,424	48,540	2,145
Unbilled accounts	921	13,618	14,539	-
Special assessments	16,689	-	16,689	-
Notes and loans	50,320	-	50,320	78,026
Accrued interest	2,571	176	2,747	2,141
Due from component units	17,113	-	17,113	-
Due from primary government	-	-	-	1,257
Due from other governmental agencies	202,673	-	202,673	18,077
Inventory of materials and supplies	7,309	2,209	9,518	-
Inventory of property for resale	26	-	26	16,960
Prepaid items	444	21	465	1,419
Deferred charges	2,696	535	3,231	1,367
Other assets	-	134	134	333
 Total non-capital assets	 838,816	 119,505	 958,321	 184,162
Capital assets:				
Capital assets not being depreciated:				
Land	164,425	18,309	182,734	58,399
Construction in progress	75,228	40,865	116,093	18,251
Capital assets being depreciated:				
Buildings	191,225	84,261	275,486	426,311
Infrastructure	1,316,526	638,099	1,954,625	-
Improvements other than buildings	11,036	25,183	36,219	599
Machinery and equipment	138,418	210,915	349,333	4,173
Furniture and furnishings	-	70	70	-
Nonutility property	-	5,317	5,317	-
Accumulated depreciation	(981,687)	(323,810)	(1,305,497)	(214,001)
 Total Capital Assets	 915,171	 699,209	 1,614,380	 293,732
 Total Assets	 1,753,987	 818,714	 2,572,701	 477,894

Exhibit 1 (Continued)

35

CITY OF MILWAUKEE
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	\$ 179,647	\$ 12,174	\$ 2,241	\$ -
Public safety	263,608	13,522	16,997	-
Public works	154,644	44,722	4,057	-
Health	27,316	667	17,354	-
Culture and recreation	21,506	1,892	2,527	-
Conservation and development	66,092	551	22,288	-
Capital contribution to Milwaukee Public Schools	14,028	-	-	-
Contributions	25,412	-	25,807	-
Interest on long-term debt	32,131	-	-	-
Total Governmental Activities	784,384	73,528	91,271	-
Business-type Activities:				
Water	58,074	69,636	-	3,229
Sewer Maintenance	26,605	34,261	-	3,777
Parking	22,609	40,736	-	-
Port of Milwaukee	3,671	4,994	-	774
Metropolitan Sewerage District User Charges	31,932	30,495	-	-
Total Business-type Activities	142,891	180,122	-	7,780
Total Primary Government	\$ 927,275	\$ 253,650	\$ 91,271	\$ 7,780
Component units:				
Housing Authority	\$ 81,394	\$ 17,980	\$ 47,277	\$ 9,343
Redevelopment Authority	10,043	5,850	5,955	-
Milwaukee Economic Development Authority	2,324	2,840	1,432	-
Neighborhood Improvement Development Corporation	1,808	700	758	-
Total Component Units	\$ 95,569	\$ 27,370	\$ 55,422	\$ 9,343

General revenues:

Property taxes and other taxes
State aids for General Fund
Miscellaneous
Special item - transfer of loan portfolio to other government
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (165,232)		\$ (165,232)	
(233,089)		(233,089)	
(105,865)		(105,865)	
(9,295)		(9,295)	
(17,087)		(17,087)	
(43,253)		(43,253)	
(14,028)		(14,028)	
395		395	
(32,131)		(32,131)	
<u>(619,585)</u>		<u>(619,585)</u>	
-	\$ 14,791	14,791	
-	11,433	11,433	
-	18,127	18,127	
-	2,097	2,097	
-			
-	(1,437)	(1,437)	
-	45,011	45,011	
<u>(619,585)</u>	<u>45,011</u>	<u>(574,574)</u>	
			\$ (6,794)
			1,762
			1,948
			<u>(350)</u>
			<u>(3,434)</u>
236,043	-	236,043	-
272,417	-	272,417	-
87,510	2,058	89,568	5,536
-	-	-	(360)
<u>33,569</u>	<u>(33,569)</u>	<u>-</u>	<u>-</u>
<u>629,539</u>	<u>(31,511)</u>	<u>598,028</u>	<u>5,176</u>
9,954	13,500	23,454	1,742
<u>405,313</u>	<u>632,939</u>	<u>1,038,252</u>	<u>286,401</u>
<u>\$ 415,267</u>	<u>\$ 646,439</u>	<u>\$ 1,061,706</u>	<u>\$ 288,143</u>

This page left blank intentionally.

**FUND
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit A-1

	General
ASSETS	
Assets:	
Cash and cash equivalents	\$ 133,431
Investments	280
Receivables (net):	
Taxes	102,099
Accounts	17,250
Unbilled accounts	921
Special assessments	-
Notes and loans	131
Accrued interest	2,093
Due from other funds	26,429
Due from component units	2,945
Due from other governmental agencies	1,929
Advances to other funds	14,700
Inventory of materials and supplies	6,860
Inventory of property for resale	26
Prepaid items	444
Total Assets	<u>\$ 309,538</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 27,710
Accrued expenses	25,819
Due to other funds	438
Due to component units	90
Due to other governmental agencies	-
Deferred revenue	150,306
Revenue anticipation notes payable	-
Advances from other funds	-
Total Liabilities	<u>204,363</u>
Fund Balances:	
Reserved for debt service	-
Reserved for delinquent taxes receivable	-
Reserved for economic development	-
Reserved for encumbrances, prepaids, and carryovers	15,616
Reserved for inventory	6,886
Reserved for mortgage trust	280
Reserved for environmental remediation	303
Reserved for tax stabilization - 2007	23,175
Reserved for tax stabilization - 2008 and subsequent years' budgets and advances to other funds	58,915
Unreserved:	
Undesignated	-
Special assessment (deficit)	-
Total Fund Balances	<u>105,175</u>
Total Liabilities and Fund Balances	<u>\$ 309,538</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 95,292	\$ 41,530	\$ 37,035	\$ 13,501	\$ 320,789
-	31,892	-	-	32,172
46,793	-	7,216	7,869	163,977
-	-	2,266	1,600	21,116
-	-	-	-	921
-	-	16,689	-	16,689
34,857	-	-	15,332	50,320
296	182	-	-	2,571
-	-	-	-	26,429
14,041	-	-	127	17,113
175,000	-	10,078	15,666	202,673
-	-	-	-	14,700
-	-	449	-	7,309
-	-	-	-	26
-	-	-	-	444
<u>\$ 366,279</u>	<u>\$ 73,604</u>	<u>\$ 73,733</u>	<u>\$ 54,095</u>	<u>\$ 877,249</u>
\$ -	\$ -	\$ 7,416	\$ 6,199	\$ 41,325
-	-	228	205	26,252
7,130	-	2,227	8,963	18,758
-	-	582	585	1,257
-	-	3,182	1,125	4,307
131,865	-	30,912	11,956	325,039
175,000	-	-	-	175,000
-	-	14,700	-	14,700
<u>313,995</u>	<u>-</u>	<u>59,247</u>	<u>29,033</u>	<u>606,638</u>
52,284	73,604	-	10,563	136,451
-	-	-	6,343	6,343
-	-	-	2	2
-	-	28,437	-	44,053
-	-	449	-	7,335
-	-	-	-	280
-	-	-	-	303
-	-	-	-	23,175
-	-	-	-	58,915
-	-	-	8,154	8,154
-	-	(14,400)	-	(14,400)
<u>52,284</u>	<u>73,604</u>	<u>14,486</u>	<u>25,062</u>	<u>270,611</u>
<u>\$ 366,279</u>	<u>\$ 73,604</u>	<u>\$ 73,733</u>	<u>\$ 54,095</u>	<u>\$ 877,249</u>

This page left blank intentionally.

CITY OF MILWAUKEE
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit A-2

Fund balances - total governmental funds \$ 270,611

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 164,425
Buildings, net of \$67,374 accumulated depreciation	123,851
Infrastructure, net of \$826,126 accumulated depreciation	490,400
Improvements other than buildings, net of \$7,135 accumulated depreciation	3,901
Machinery and equipment, net of \$81,052 accumulated depreciation	57,366
Construction in progress	<u>75,228</u>

915,171

Deferred charges for debt issuance costs are not available to pay for current-period expenditures and therefore are deferred in the funds.

2,696

Some revenues are deferred in the funds because they are not available to pay current period's expenditures.

Taxes to be collected after year end	5,939
Special assessments to be collected after year end	15,515
Notes and loans receivable to repay long-term bonds and notes	<u>34,857</u>

56,311

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Accrued interest payable	(10,365)
Bonds and Notes Payable	(733,327)
Accretion on capital appreciation bonds	(2,966)
Deferred amount on refunding	7,731
Unamortized premiums	(30,058)
Compensated absences	(35,546)
Claims and judgments	<u>(24,991)</u>

(829,522)

Total net assets of governmental activities (Exhibit 1)

\$ 415,267

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit A-3

	General
Revenues:	
Property taxes	\$ 141,102
Other taxes	5,202
Special assessments	-
Licenses and permits	13,729
Intergovernmental	272,417
Charges for services	73,528
Fines and forfeits	5,541
Contributions received	25,807
Other	17,353
Total Revenues	<u>554,679</u>
Expenditures:	
Current:	
General government	203,416
Public safety	250,672
Public works	86,482
Health	10,428
Culture and recreation	17,882
Conservation and development	3,217
Capital outlay	-
Debt Service:	
Principal retirement	-
Interest	-
Bond issuance costs	-
Total Expenditures	<u>572,097</u>
Excess (deficiency) of Revenues over Expenditures	<u>(17,418)</u>
Other Financing Sources (Uses):	
General obligation bonds and notes issued	66,000
Proceeds current refunding	-
Payment - current refunding	-
Loans receivable activities	-
Issuance premium	-
Transfers in	38,996
Transfers out	(67,630)
Total Other Financing Sources and Uses	<u>37,366</u>
Net Change in Fund Balances	19,948
Fund Balances - Beginning	<u>85,227</u>
Fund Balances - Ending	<u>\$ 105,175</u>

The notes to the financial statements are an integral part of this statement.

General Obligation Debt Service	Public Debt Amortization	Capital Projects	Nonmajor Governmental Funds	Total
\$ 58,725	\$ -	\$ 11,909	\$ 3,097	\$ 214,833
13,587	2,121	-	-	20,910
-	-	3,823	-	3,823
-	-	-	-	13,729
1,123	-	9,424	62,114	345,078
10,663	-	-	-	84,191
-	-	-	-	5,541
-	-	-	-	25,807
5,774	8,644	720	11,678	44,169
<u>89,872</u>	<u>10,765</u>	<u>25,876</u>	<u>76,889</u>	<u>758,081</u>
-	4	-	3,161	206,581
-	-	-	16,997	267,669
-	-	-	4,057	90,539
-	-	-	17,354	27,782
-	-	-	2,527	20,409
-	-	-	31,584	34,801
-	-	145,095	-	145,095
146,721	-	-	-	146,721
34,798	-	-	-	34,798
484	-	-	-	484
<u>182,003</u>	<u>4</u>	<u>145,095</u>	<u>75,680</u>	<u>974,879</u>
<u>(92,131)</u>	<u>10,761</u>	<u>(119,219)</u>	<u>1,209</u>	<u>(216,798)</u>
-	-	135,028	14,735	215,763
1,785	-	-	-	1,785
(1,819)	-	-	-	(1,819)
-	-	-	1,007	1,007
8,033	-	-	-	8,033
100,537	-	-	-	139,533
<u>(8,328)</u>	<u>(10,849)</u>	<u>(485)</u>	<u>(18,672)</u>	<u>(105,964)</u>
<u>100,208</u>	<u>(10,849)</u>	<u>134,543</u>	<u>(2,930)</u>	<u>258,338</u>
8,077	(88)	15,324	(1,721)	41,540
<u>44,207</u>	<u>73,692</u>	<u>(838)</u>	<u>26,783</u>	<u>229,071</u>
<u>\$ 52,284</u>	<u>\$ 73,604</u>	<u>\$ 14,486</u>	<u>\$ 25,062</u>	<u>\$ 270,611</u>

This page left blank intentionally.

CITY OF MILWAUKEE
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit A-4

Net change in fund balances - total governmental funds (Exhibit A-3) \$ 41,540

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$86,414) exceeded depreciation expense (\$44,269) in the current period less loss on disposals (\$718) 41,427

Notes and loans receivable to repay long-term bonds and notes (4,788)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the funds.

Taxes accrued in prior years	\$ 300	
Special assessments deferred revenue beginning of the year \$16,382 less deferred at end of the year \$15,515	(867)	
		(567)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items except for accretion.

Debt issued:		
Bonds and notes issued	(215,763)	
Current refunding bonds issued	(1,785)	
Issuance premiums	(8,033)	
Repayments:		
Payment of current refunding bonds excludes interest (\$34)	1,785	
Principal retirement	146,721	
Bond issuance costs	484	
Capital lease current payment	174	
Amortization:		
Issuance costs	(537)	
Premiums	8,303	
Deferred amount on refunding	(1,318)	
		(69,969)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normal paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of the following balances.

Compensated absences	2,955	
Claims and judgments	674	
Accrued interest on bonds and notes	(1,318)	
		2,311

Changes in net assets of governmental activities (Exhibit 2) **\$ 9,954**

The notes to the financial statements are an integral part of this reconciliation.

CITY OF MILWAUKEE
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit B-1

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 31,177	\$ 12,383	\$ 23,024	\$ -	\$ 66,584
Restricted cash and cash equivalents	632	-	-	-	632
Receivables (net):					
Taxes	-	-	-	56	56
Accounts	10,720	8,728	205	7,771	27,424
Unbilled accounts	9,621	1,989	-	2,008	13,618
Accrued interest	172	4	-	-	176
Due from other funds	4,921	868	-	860	6,649
Inventory of materials and supplies	2,209	-	-	-	2,209
Prepaid items	21	-	-	-	21
Deferred charges	-	535	-	-	535
Other assets	134	-	-	-	134
Total Current Assets	<u>59,607</u>	<u>24,507</u>	<u>23,229</u>	<u>10,695</u>	<u>118,038</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	8,116	-	-	8,116
Capital assets:					
Capital assets not being depreciated:					
Land	1,568	-	8,562	8,179	18,309
Construction in progress	9,145	29,925	1,795	-	40,865
Capital assets being depreciated:					
Buildings	20,693	-	50,505	13,063	84,261
Infrastructure	306,507	331,592	-	-	638,099
Improvements other than buildings	-	-	5,498	19,685	25,183
Machinery and equipment	201,262	3,505	1,388	4,760	210,915
Furniture and furnishings	-	22	-	48	70
Nonutility property	5,317	-	-	-	5,317
Accumulated depreciation	<u>(173,778)</u>	<u>(98,430)</u>	<u>(27,811)</u>	<u>(23,791)</u>	<u>(323,810)</u>
Total Noncurrent Assets	<u>370,714</u>	<u>274,730</u>	<u>39,937</u>	<u>21,944</u>	<u>707,325</u>
Total Assets	<u>430,321</u>	<u>299,237</u>	<u>63,166</u>	<u>32,639</u>	<u>825,363</u>

Exhibit B-1 (Continued)

49

This page left blank intentionally.

CITY OF MILWAUKEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit B-2

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Operating Revenues:					
Charges for Services:					
Water sales	\$ 56,517	\$ -	\$ -	\$ -	\$ 56,517
Statutory sewer user fee	-	-	-	29,832	29,832
Sewer maintenance fee	-	34,261	-	-	34,261
Rent	-	-	6,863	4,864	11,727
Fire protection service	5,953	-	-	-	5,953
Parking meters	-	-	4,159	-	4,159
Parking permits	-	-	2,761	-	2,761
Vehicle towing	-	-	5,825	-	5,825
Parking forfeitures	-	-	20,245	-	20,245
Other	6,990	-	-	663	7,653
Total Operating Revenues	69,460	34,261	39,853	35,359	178,933
Operating Expenses:					
Milwaukee Metropolitan Sewerage District charges ..	-	-	-	27,407	27,407
Employee services	-	7,265	6,816	1,453	15,534
Administrative and general	6,052	-	-	20	6,072
Depreciation	12,520	4,435	2,311	897	20,163
Transmission and distribution	17,099	-	-	3,072	20,171
Services, supplies and materials	-	7,569	12,850	946	21,365
Water treatment	11,416	-	-	-	11,416
Water pumping	7,104	-	-	-	7,104
Billing and collection	2,233	-	-	1,315	3,548
Total Operating Expenses	56,424	19,269	21,977	35,110	132,780
Operating Income (Loss)	13,036	14,992	17,876	249	46,153
Nonoperating Revenues (Expenses):					
Investment income	1,689	369	-	-	2,058
Interest expense	(1,650)	(2,736)	(632)	(263)	(5,281)
Gain (loss) on disposal of fixed assets	-	-	601	(230)	371
Other	176	(4,600)	282	130	(4,012)
Total Nonoperating Revenues (Expenses)	215	(6,967)	251	(363)	(6,864)
Income (Loss) before Contributions and Transfers..	13,251	8,025	18,127	(114)	39,289
Capital contributions	3,229	3,777	-	774	7,780
Transfers in	-	-	-	691	691
Transfers out	(7,461)	(7,000)	(16,666)	(3,133)	(34,260)
Change in Net Assets	9,019	4,802	1,461	(1,782)	13,500
Total Net Assets - Beginning	371,888	199,567	47,214	14,270	632,939
Total Net Assets - Ending	\$ 380,907	\$ 204,369	\$ 48,675	\$ 12,488	\$ 646,439

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit B-3

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 69,575	\$ 33,395	\$ 39,640	\$ 34,765	\$ 177,375
Cash receipts from other funds	5,491	-	-	(29,843)	(24,352)
Other operating cash receipts	-	-	-	-	-
Payments to suppliers	(17,626)	(7,066)	(12,914)	-	(37,606)
Payments to employees	(22,155)	(7,251)	(6,752)	(1,455)	(37,613)
Payments from other funds	-	-	-	(309)	(309)
Payments to other funds	<u>(4,372)</u>	<u>(8,416)</u>	<u>-</u>	<u>-</u>	<u>(12,788)</u>
Net Cash Provided by Operating Activities.....	<u>30,913</u>	<u>10,662</u>	<u>19,974</u>	<u>3,158</u>	<u>64,707</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Miscellaneous nonoperating revenue	176	-	-	-	176
Other nonoperating expenses	-	(4,600)	-	-	(4,600)
Transfers from other funds	-	-	-	(3,133)	(3,133)
Transfers to other funds	<u>(7,461)</u>	<u>(7,000)</u>	<u>(16,666)</u>	<u>214</u>	<u>(30,913)</u>
Net Cash Used for Noncapital Financing Activities	<u>(7,285)</u>	<u>(11,600)</u>	<u>(16,666)</u>	<u>(2,919)</u>	<u>(38,470)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	-	-	-	565	565
Proceeds from sale of bonds and notes	-	33,990	874	395	35,259
Acquisition of property, plant and equipment	(15,287)	(15,540)	(1,293)	(653)	(32,773)
Retirement of bonds, notes and revenue bonds	(5,538)	(2,480)	(2,080)	(477)	(10,575)
Interest paid	(1,688)	(2,667)	(669)	(211)	(5,235)
Other	<u>-</u>	<u>-</u>	<u>883</u>	<u>142</u>	<u>1,025</u>
Net Cash Used for Capital and Related Financing Activities	<u>(22,513)</u>	<u>13,303</u>	<u>(2,285)</u>	<u>(239)</u>	<u>(11,734)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	<u>1,653</u>	<u>372</u>	<u>-</u>	<u>-</u>	<u>2,025</u>
Net Increase in Cash and Cash Equivalents	2,768	12,737	1,023	-	16,528
Cash and Cash Equivalents - Beginning	<u>29,041</u>	<u>7,762</u>	<u>22,001</u>	<u>-</u>	<u>58,804</u>
Cash and Cash Equivalents - Ending	<u>\$ 31,809</u>	<u>\$ 20,499</u>	<u>\$ 23,024</u>	<u>\$ -</u>	<u>\$ 75,332</u>

CITY OF MILWAUKEE
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit B-3 (Continued)

	Water Works	Sewer Maintenance	Parking	Nonmajor Enterprise Funds	Total
Cash and Cash Equivalents at Year End Consist of:					
Unrestricted Cash	\$ 31,177	\$ 12,383	\$ 23,024	\$ -	\$ 66,584
Restricted Cash	<u>632</u>	<u>8,116</u>	<u>-</u>	<u>-</u>	<u>8,748</u>
	<u>\$ 31,809</u>	<u>\$ 20,499</u>	<u>\$ 23,024</u>	<u>\$ -</u>	<u>\$ 75,332</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 13,036	\$ 14,992	\$ 17,876	\$ 249	\$ 46,153
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	12,520	4,435	2,311	897	20,163
Changes in assets and liabilities:					
Receivables	(299)	(799)	(206)	(594)	(1,898)
Due from other funds	5,490	(67)	-	1,236	6,659
Inventories	317	-	-	-	317
Prepaid items	(10)	-	-	-	(10)
Other assets	222	-	-	-	222
Accounts payable	(404)	503	(64)	2,917	2,952
Accrued liabilities	41	14	64	(2)	117
Due to other funds	-	(8,416)	-	(1,545)	(9,961)
Deferred revenue	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>(9)</u>
Net Cash Provided by Operating Activities	<u>\$ 30,913</u>	<u>\$ 10,662</u>	<u>\$ 19,972</u>	<u>\$ 3,158</u>	<u>\$ 64,705</u>

Non-cash Activities:

During the year, water mains and related property, installed by others were deeded to the Water Works in the amount of \$3.229 million.

During the year, the Sewer Maintenance Fund removed infrastructure assets costing \$251,000 with a net value of \$0 and received donated assets in the amount of \$3.777 million.

During the year, the Port of Milwaukee (nonmajor enterprise fund) received donated assets of \$699,000.

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit C-1

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 260	\$ 2,959	\$ 275,914
Investments	<u>-</u>	<u>3,460</u>	<u>-</u>
Total Assets	<u>260</u>	<u>6,419</u>	<u>\$ 275,914</u>
LIABILITIES			
Liabilities:			
Accounts payable	36	81	2,681
Due to other governmental agencies	<u>-</u>	<u>-</u>	<u>273,233</u>
Total Liabilities	<u>36</u>	<u>81</u>	<u>\$ 275,914</u>
Net Assets			
Employees' pension benefits and other purposes	<u>\$ 224</u>	<u>\$ 6,338</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit C-2

	Pension and Other Employee Benefit Trusts	Private- Purpose Trusts
Additions		
Contributions:		
Plan members	\$ 1,139	\$ -
Private donations	-	954
Total Contributions	<u>1,139</u>	<u>954</u>
Investment earnings:		
Net (depreciation) appreciation in fair value of investments, dividends and interest	-	128
Total Additions	<u>1,139</u>	<u>1,082</u>
Deductions		
Benefits	1,082	-
Fees remitted from Trust	-	771
Other	-	261
Total Deductions	<u>1,082</u>	<u>1,032</u>
Change in Net Assets	57	50
Net Assets - Beginning	<u>167</u>	<u>6,288</u>
Net Assets - Ending	<u>\$ 224</u>	<u>\$ 6,338</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit D-1

	Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 29,916	\$ 21,369	\$ 4,120	\$ 1,446	\$ 56,851
Investments	4,855	300	131	300	5,586
Receivables (net):					
Accounts	1,567	400	87	91	2,145
Notes and loans	25,441	13,979	38,019	587	78,026
Accrued interest	1,900	28	117	96	2,141
Due from primary government	52	1,059	-	146	1,257
Due from other governmental agencies	1,597	2,388	13,964	128	18,077
Inventory of property for resale	1,800	11,924	1,237	1,999	16,960
Prepaid items	1,368	51	-	-	1,419
Deferred charges	435	932	-	-	1,367
Other assets	158	-	175	-	333
Total Noncapital Assets	69,089	52,430	57,850	4,793	184,162
Capital assets:					
Capital assets not being depreciated:					
Land and land improvements	49,292	9,107	-	-	58,399
Construction in progress	18,251	-	-	-	18,251
Capital assets being depreciated:					
Buildings	347,213	79,098	-	-	426,311
Improvements other than buildings	599	-	-	-	599
Machinery and equipment	4,067	-	106	-	4,173
Accumulated depreciation	(212,333)	(1,584)	(84)	-	(214,001)
Total Capital Assets, Net of Depreciation	207,089	86,621	22	-	293,732
Total Assets	276,178	139,051	57,872	4,793	477,894

Exhibit D-1 (Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF MILWAUKEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit D-2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Housing Authority				
Low income housing	\$ 81,394	\$ 17,980	\$ 47,277	\$ 9,343
Redevelopment Authority				
Prevention and elimination of blight	10,043	5,850	5,955	-
Milwaukee Economic Development Corporation				
Increase employment & expansion of business	2,324	2,840	1,432	-
Neighborhood Improvement Development Corp.				
Housing improvements	<u>1,808</u>	<u>700</u>	<u>758</u>	<u>-</u>
Total Component Units	<u>\$ 95,569</u>	<u>\$ 27,370</u>	<u>\$ 55,422</u>	<u>\$ 9,343</u>

General revenues:

Miscellaneous

Special item - transfer of loan portfolio to other government

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Housing Authority	Redevelopment Authority	Milwaukee Economic Development Corporation	Neighborhood Improvement Development Corporation	Total
\$ (6,794)	\$ -	\$ -	\$ -	\$ (6,794)
-	1,762	-	-	1,762
-	-	1,948	-	1,948
-	-	-	(350)	(350)
(6,794)	1,762	1,948	(350)	(3,434)
3,684	1,484	315	53	5,536
-	-	-	(360)	(360)
3,684	1,484	315	(307)	5,176
(3,110)	3,246	2,263	(657)	1,742
214,492	19,269	48,922	3,718	286,401
<u>\$211,382</u>	<u>\$ 22,515</u>	<u>\$ 51,185</u>	<u>\$ 3,061</u>	<u>\$288,143</u>

This page left blank intentionally.

**NOTES
TO THE
FINANCIAL
STATEMENTS**

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. Reporting Entity

The City of Milwaukee (the "City") was incorporated on January 31, 1846, and operates under a Council-Mayor form of government. These financial statements present the City (the primary government) and other organizations, including component units, for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are legally separate organizations for which the elected officials of the City are accountable. The City is considered financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to or burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the primary government.

Discretely Presented Component Units

The component units columns in the government-wide financial statements includes the financial data of the City's component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the following discretely presented component units:

Housing Authority - This entity is used to account for the Federal and State grants relating primarily to low-income housing and rental assistance programs. The entire governing board is appointed by the Mayor of the City. The daily operations of the Housing Authority of the City of Milwaukee (HACM) are managed by City employees.

Redevelopment Authority - The Redevelopment Authority of the City of Milwaukee (RACM) is responsible for activities related to the prevention and elimination of blighted conditions in the City. The City appoints all members of the Board and approves the budget.

Milwaukee Economic Development Corporation - The Milwaukee Economic Development Corporation (MEDC) is a nonprofit organization formed to promote economic development within the City. The principal objective of the corporation is to benefit the community by fostering increased employment through expansion of business and industry within the metropolitan Milwaukee area. MEDC's primary source of funds is interest on loans originally granted through the City.

Neighborhood Improvement Development Corporation - The Neighborhood Improvement Development Corporation (NIDC) is a nonprofit organization established to promote reinvestment in both housing and commercial structures within the City. NIDC programs encourage private lending institutions and property owners to make improvements to the community's homes and businesses. Corporate officers of NIDC are provided by the City and daily operations are managed by City employees.

Financial statements of the individual component units can be obtained from their respective administrative offices. Addresses of the component units are as follows: HACM, 809 North Broadway, 3rd Floor, Milwaukee, Wisconsin 53202; RACM, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; MEDC, 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin 53202; NIDC, 841 North Broadway, Room 105, Milwaukee, Wisconsin 53202.

The basic financial statements exclude the accounts of the Wisconsin Center District, Milwaukee Public Schools, the Milwaukee Metropolitan Sewerage District, World Festivals Inc. ("Summerfest") and the Employees' Retirement System of the City of Milwaukee, because these entities operate with separate governing boards and do not meet the criteria established by the Governmental Accounting Standards Board (GASB) Statement 14 as component units of the City. The Milwaukee Metropolitan Sewerage District (MMSD) is a special purpose municipal corporation created to provide sewerage treatment services in the Milwaukee metropolitan area. The City is responsible for paying usage charges within its jurisdiction. These amounts, in turn, are billed by the City to its water customers. The City has no equity interest in MMSD. Financial statements for MMSD can be obtained from its administrative office.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

B. Basis of Presentation

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the City, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) fines, fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

General Obligation Debt – This fund accounts for the resources accumulated and payments made for principal and interest on the City's outstanding long-term general obligation debt.

Public Debt Amortization – This fund accounts for one-third of all interest on general City investments and interest on Fund investments for the retirement of debt. The Public Debt Amortization Fund is governed by Section 67.101 of the Wisconsin Statutes for the retirement of the public debt. See Note 7 for further discussion.

Capital Projects Fund – The Capital Projects Fund is used to account for the financial resources segregated for the acquisition or construction of major capital expenditures other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water Works - All activities necessary to provide water services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance and financing.

Sewer Maintenance – This fund accounts for the maintenance of the City's sewer system. Wisconsin State Statutes Section 66.076, permit municipalities to implement sewer fees to recover the costs of operation, maintenance, repair, and depreciation of sewer collection and transportation facilities. Sewer maintenance costs are recovered through a user fee rather than through the property tax.

Parking – This fund accounts for revenues derived from parking meters, parking permits, rentals and leasing of parking facilities and other revenues attributable to parking. The revenues are used to defray administrative and operational costs related to parking operations, and to acquire, landscape and construct parking lots and structures.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Additionally, the City reports the following fiduciary fund types:

Pension and Other Employee Benefit Trusts – This fund accounts for resources for employee flexible spending plans.

Private Purpose Trust – These funds account for resources legally held in trust for use by various individuals, governmental entities, and nonpublic corporations. All resources of these funds, including any earnings on invested resources, may be used to support each trust's initiatives.

Agency – These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

C. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2006 that will be collected in 2007 are recorded as receivable and deferred revenue. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and other contributions are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, excluding property taxes, to be available if they are collected within 90 days of the end of the current year. Property taxes are considered to be available if they are collected within 60 days of the end of the current year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources, which are susceptible to accrual include property taxes, state shared revenues, grants, contributions, and interest. All other revenue sources including licenses, permits, fines and forfeits are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments (including restricted cash and investments) purchased with a maturity of three months or less are considered to be cash equivalents. The City manages a cash and investment pool to maximize return on funds while providing liquidity to meet day to day obligations. Each fund's equity in the City's investment pool is considered to be a cash equivalent, since the funds can deposit or effectively withdraw cash at anytime without prior notice or penalty. The Housing Authority considers amounts on deposit with fiscal agents to be investments and not cash equivalents due to their restrictive nature.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

E. Investments

Investments, primarily consisting of fixed income securities, are reported at fair value based on quoted market prices. Commercial paper, which is short-term, defined as having an original maturity of one year or less, and highly liquid is carried at amortized cost. Investment transactions are recorded on the trade date. Under Wisconsin Statutes, one-third of all interest on pooled cash and investments is allocated to the Public Debt Amortization Fund. The remaining two-thirds is credited to the General Fund. Each fund type's portion of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

Wisconsin Statutes permit the City to invest funds not immediately needed in any of the following:

- Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which are authorized to transact business in the State of Wisconsin.
- Bonds or securities issued or guaranteed by the Federal government.
- Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State of Wisconsin, as well as bonds issued by a local exposition district, a local professional baseball park district, or the University of Wisconsin Hospitals and Clinics Authority.
- Local Government Investment Pool - Investment Fund of the State of Wisconsin. The Local Government Pooled – Investment Fund is an external investment pool administered by the State of Wisconsin. The fair value of the City's investment in the fund is the same as the value of the pooled shares. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of Section 25.50 of the Wisconsin Statutes.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Any Security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, Inc. or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- Securities of open-end management investment companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds or securities.

F. Property Taxes

Property taxes are recorded as receivables and deferred revenues in the taxing fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. Property tax payments received prior to year-end are also reflected in the taxing fund. Property taxes are recognized in the appropriate funds as revenues in the succeeding year when they are collected and available to finance City services. If not collected at year-end, the delinquent property taxes are reflected as receivables and deferred revenues. Delinquent property taxes and related interest are recognized as revenues when collected.

The allowance for uncollectible property taxes is based on an analysis of the delinquent property taxes and, in management's judgment, represents an amount adequate to provide for potential uncollectible taxes. The allowance is increased by provisions charged against revenues and is reduced by taxes receivable written off.

The City, through its Special Revenue Fund - Delinquent Tax, issues general obligation short-term promissory notes to finance the purchase of the most recent delinquent taxes from its General Fund. Collections on these delinquencies are used for the associated debt service requirements.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

G. Accounts Receivable

Accounts receivables are presented net of allowances. The amount of the General Fund allowance as of December 31, 2006 is \$2,122,000.

H. Unbilled Services

Unbilled water and sewer services at year end are recognized as revenues and receivables in the accompanying financial statements.

I. Special Assessments

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred revenues when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements, special assessments are recorded as receivables and capital contribution revenue when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. Special assessment receivables that become delinquent are added to the general tax roll. The method of enforcing collections is the same as for general city taxes with like force and effect.

J. Notes and Loan Receivables

The General Fund, the Special Revenue Fund - Community Development Block Grant, and Neighborhood Improvement Development Corporation hold notes and loans receivable from individuals, small businesses and corporations in the Milwaukee area that are secured by primary or secondary security interests in real estate or other assets. The City periodically analyzes the collectibility of the notes and loans that are not insured and provides allowances as considered necessary. The amount of the allowance in the nonmajor governmental fund is \$13,884,000 as of December 31, 2006.

The City creates tax incremental districts (TID) to issue debt to fund redevelopment projects. Pursuant to a cooperation agreement between the City, the Redevelopment Authority of the City of Milwaukee (Authority), and the Milwaukee Economic Development Corporation (Corporation), the City provides the Authority and the Corporation with the funds necessary to carry out the loan to a private developer to finance the redevelopment projects. Loan repayments to the Authority and the Corporation from the private developer, including interest income as well as other project income, are transferred to the City until the City's loan has been repaid or the TID expires. The City reflects these loans as notes receivable and deferred revenue in governmental fund financial statements based on an amount estimated to be repaid from the Authority and the Corporation.

K. Inventories

Inventories of materials and supplies are stated at moving average cost, based upon perpetual recordkeeping systems and periodic cycle counts of quantities on hand. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories in governmental funds are reserved for in fund balance, because inventories are not expendable available financial resources.

L. Prepaid Items

Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in fund balance, because prepaids are not expendable available financial resources.

M. Capital Assets

Capital assets, which includes property, plant, and equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2002 are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Capitalization thresholds and the estimated useful lives for the City and component units are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Infrastructure	\$ 5,000	5-50 years
Land	5,000	N/A
Land Improvements	5,000	N/A
Site Improvements	5,000	3-50
Buildings	5,000	10-60
Building Improvements	5,000	10-45
Machinery and equipment	5,000	3-25
Works of Art, Historical Treasures	5,000	N/A

N. Pension Contributions

The employer's share of the annual contribution is recorded in the proprietary funds and government-wide financial statements as an expense when the liability is incurred and in the governmental funds as an expenditure when the liability is liquidated with expendable available financial resources.

O. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and include salary related costs (e.g. social security and Medicare tax). A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City employees accrue sick leave in accordance with labor agreements or Section 350-37 of the Code of Ordinances.

P. Claims and Judgments

The liability for claims and judgments is reported in the government-wide, proprietary and fiduciary fund financial statements when they are both probable and estimable. A liability for claims and judgments is reported in governmental funds only if they have matured (i.e. are due). The City accrues environmental remediation obligations when related liabilities are probable and reasonably estimable. These accruals generally are recognized no later than completion of a remedial feasibility study and are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Q. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The City records bond premiums for governmental fund types in the General Obligation Debt Service Fund.

R. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of the applicable deferred amount.

S. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes.

T. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

U. Interfund Transactions

The City has the following types of interfund transactions:

Loans - amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds. The noncurrent portions of long-term interfund loans receivable are reported as advances.

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursement is reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) without equivalent flows of assets in return, including payments in lieu of taxes, and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

V. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

W. New Accounting Pronouncements

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement will establish uniform financial reporting standards for other post employment benefits. The City will implement Statement No. 45 beginning with the year ending December 31, 2007.

In December, 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*. This statement establishes and modifies accounting requirements for net assets restricted by legislation. The City will implemented Statement No. 46 beginning with the year ending December 31, 2006. There is no impact on the financial statements.

In September 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This Statement includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The City will implement Statement No. 48 beginning with the year ending December 31, 2007.

In November 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City will implement Statement No. 49 beginning with the year ending December 31, 2008.

X. Reclassifications

Certain 2005 amounts have been reclassified to conform with the 2006 presentation.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

2. Deposits and Investments

A. Primary Government

The description of the city's deposit and investment policy is discussed in Note 1 D and E.

As of December 31, 2006, the City's deposits and investments are as follows:

	Investment Maturities (in Years)					
	(Thousands of Dollars)					
	Fair Value	Less than 1	1-5	6-10	More Than 10	Credit Rating
Governmental and Business-type activities:						
Investment type						
Pooled Deposits and Investments	\$ 279,156	\$ 253,362	\$ 25,794	\$ -	\$ -	see below
Segregated Deposits and Investments						
Interest Checking	26,321	26,321	-	-	-	not rated
Wisconsin Local Government						
Investment Pool	82,808	82,808	-	-	-	not rated
U.S. Treasuries	11,153	3,076	7,670	407	-	AAA
Treasuries (Fiscal Agent)	2,960	2,960	-	-	-	AAA
Municipal Bonds and Notes	20,739	314	2,684	4,599	13,142	AA
U.S. Agency Securities						
Federal National Mortgage Association	5,156	5,156	-	-	-	AAA
	<u>\$ 428,293</u>	<u>\$ 373,997</u>	<u>\$ 36,148</u>	<u>\$ 5,006</u>	<u>\$ 13,142</u>	
Fiduciary activities:						
Investment type						
Investments in the Pool	\$ 278,688	\$ 278,688	\$ -	\$ -	\$ -	see below
Other Deposits	320	320	-	-	-	not rated
Segregated Deposits and Investments						
Wisconsin Local Government						
Investment Pool	125	125	-	-	-	not rated
U.S. Treasuries	3,460	488	1,470	1,502	-	AAA
	<u>\$ 282,593</u>	<u>\$ 279,621</u>	<u>\$ 1,470</u>	<u>\$ 1,502</u>	<u>\$ -</u>	

Pooled Deposits and Investments

The City maintains a cash and investment pool (Pool) that is available for use by all the funds, except for Debt Service Funds, Water Works Enterprise Fund, and component entities. Each fund's share of pooled cash and investments is included in the cash and cash equivalents line on the Statement of Net Assets/Balance Sheet.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

As of December 31, 2006, the City had the following investments and maturities in the Pool:

	Investment Maturities (in Years)					
		(Thousands of Dollars)				
	Fair Value	Less than 1	1-5	6-10	More Than 10	Credit Rating
Pooled Deposits and Investments						
Bank Demand Deposits	\$ 53,870	\$ 53,870	\$ -	\$ -	\$ -	not rated
Other Deposits	913	913	-	-	-	not rated
Deposits and Investments						
Interest Checking	433,254	433,254	-	-	-	not rated
Wisconsin Local Government						
Investment Pool	14,979	14,979	-	-	-	not rated
Government Money Market	100	100	-	-	-	AAA
Certificates of Deposits	17,000	17,000	-	-	-	not rated
U.S. Agency Securities						
Federal Farm Credit Bank	993	993	-	-	-	AAA
Federal Home Loan Bank	26,832	9,942	16,890	-	-	AAA
Freddie Mac	5,942	999	4,943	-	-	AAA
Federal National Mortgage Association	3,961	-	3,961	-	-	AAA
	\$ 557,844	\$ 532,050	\$ 25,794	\$ -	\$ -	

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned. Per Common Council the City Treasurer shall require collateralization of certificates of time deposit (including interest checking) at financial institutions when the total amount of such certificates of deposit with any institution exceeds the combined insured limit of \$500,000. As of December 31, 2006, the City's bank balances of \$255,000 were subject to custodial credit risk as they were neither insured nor collateralized.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. The City's investment policy does not explicitly limit investment maturities. However, the City manages its exposure to interest risk based on the anticipated cash flow needs of the City and limiting the amount of pooled investments to \$60,000,000 with maturities greater than one year.

Credit risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligations. Wisconsin Statutes expressly limit the City to invest in certain allowable investments as listed in Note 1. E. The City's investment policy generally does not further limit its investment choices.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer or depository. Per Common Council the City Treasurer shall use as criteria for investment in certificates of time deposit (including interest checking) a sum not to exceed the total of equity capital or net worth of each financial institution designated as a depository under the Socially Responsible Investment Program. The following investments represent more than 5% of the City's (primary government) total investments as of December 31, 2006:

	Amount	Percentage
Federal Home Loan Bank Agency Securities	26,832	14.98%

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

B. Component Units

Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. An additional \$400,000 is covered by the State Deposit Guarantee Fund.

In addition, the Milwaukee Economic Development Corporation has insured investments of \$215,014 covered by The Securities Investor Protection Corporation.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Component Unit investments are exposed to losses as a result of increases in interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation.

The component units have the following investments on December 31, 2006:

	Investment Maturities (in Years)					
	(Thousands of Dollars)					
	Fair value	Less than 1	1-2	10-15	15 and greater	Credit Rating
Component Units:						
Local Government Investment Pool	\$ 26,668	\$ 26,668	-	-	-	not rated
US Treasury Money Market Fund	10,538	10,538	-	-	-	Aaa
US Treasury Bond	587	587	-	-	-	Aaa
US Treasury Note	12	12	-	-	-	Aaa
US Agencies						
Government National Mortgage Association	1,124	13		1,111		Aaa
Certificates of Deposit	300	300	-	-	-	N/A
	\$ 39,229	\$ 38,118	\$ -	\$ 1,111	\$ -	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Component Units deposits may not be returned.

As of December 31, 2006 Component Units bank balances exposed to Custodial Credit Risk is as follows:

	Bank Balance	Uninsured and Uncollateralized
Housing Authority	\$ 10,570,968	\$ 9,970,968
Redevelopment Authority	4,765,064	4,359,319
Milwaukee Economic Development Corporation	3,467,194	2,967,397
Neighborhood Improvement Development Corporation	1,890,536	1,190,536

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2006, the Housing Authority had investments of \$1,124,000 exposed to custodial credit risk as neither insured nor registered and held by the counterparty. The Redevelopment Authority had \$10,077,000 of investments exposed to custodial credit risk as uninsured and uncollateralized as of December 31, 2006.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

3. PROPERTY TAXES

The City's property taxes are levied on or before December 31, on the assessed (taxable) value as of the prior January 1, for all general property located in the City. Taxes become a lien against the property upon filing the roll in the Office of the City Clerk. This generally takes place in December. The taxes are due January 31, but may be paid in ten monthly installments without interest from January through October. Foreclosure can be commenced after one year from date of delinquency.

The City purchases property taxes receivable from other taxing authorities at the unpaid amounts to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues. Also, delinquent water and sewer charges and special assessment receivables are transferred to the General Fund at the unpaid amounts.

At December 31, 2006, delinquent property taxes include delinquent sewer and water charges and special assessments by year levied, tax deeded property, and allowance for uncollectible taxes. These delinquent property taxes are reported as part of taxes receivable in the General Fund and Special Revenue Fund - Delinquent Tax and consist of the following:

	City Levy	Purchased Taxes Receivable	Total
	<i>(Thousands of Dollars)</i>		
2001 and prior	\$ 1,101	\$ 1,564	\$ 2,665
2002	352	539	891
2003	580	874	1,454
2004	1,550	2,368	3,918
2005	<u>5,989</u>	<u>9,621</u>	<u>15,610</u>
 Total delinquent property taxes receivable	 <u>\$ 9,572</u>	 <u>\$ 14,966</u>	 24,538
 Property taxes receivable on foreclosed property			 14,539
 Less: Allowance for uncollectible taxes			 <u>(16,139)</u>
 Net delinquent property taxes receivable, including tax deeded property			 <u>\$ 22,938</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance 01-01-06	Additions	Deletions	Balance 12-31-06
		<i>(Thousands of Dollars)</i>		
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 163,482	\$ 986	\$ 43	\$ 164,425
Construction in progress	<u>64,594</u>	<u>51,513</u>	<u>40,879</u>	<u>75,228</u>
Total capital assets not being depreciated	<u>228,076</u>	<u>52,499</u>	<u>40,922</u>	<u>239,653</u>
<i>Capital assets being depreciated:</i>				
Buildings	160,313	31,639	727	191,225
Infrastructure.....	1,298,714	19,259	1,447	1,316,526
Improvements other than buildings	9,082	1,965	11	11,036
Machinery and equipment	<u>122,716</u>	<u>21,931</u>	<u>6,229</u>	<u>138,418</u>
Total capital assets being depreciated	<u>1,590,825</u>	<u>74,794</u>	<u>8,414</u>	<u>1,657,205</u>
Less accumulated depreciation for:				
Buildings	64,104	3,903	633	67,374
Infrastructure	796,783	30,790	1,447	826,126
Improvements other than buildings	6,895	251	11	7,135
Machinery and equipment	<u>77,375</u>	<u>9,325</u>	<u>5,648</u>	<u>81,052</u>
Total accumulated depreciation	<u>945,157</u>	<u>44,269</u>	<u>7,739</u>	<u>981,687</u>
Total capital assets being depreciated, net	<u>645,668</u>	<u>30,525</u>	<u>675</u>	<u>675,518</u>
Government activity capital assets, net	<u>\$ 873,744</u>	<u>\$ 83,024</u>	<u>\$ 41,597</u>	<u>\$ 915,171</u>
Depreciation expense for governmental activities was charged to functions as follows:				
General government				\$ 271
Public safety				6,059
Public works				37,269
Health				135
Culture and recreation				<u>535</u>
Total				<u>\$ 44,269</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Balance 01-01-06	Additions	Deletions	Balance 12-31-06
Business-type activities		<i>(Thousands of Dollars)</i>		
Waterworks				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,568	\$ -	\$ -	\$ 1,568
Construction in progress	11,525	30,885	33,265	9,145
Total capital assets not being depreciated	13,093	30,885	33,265	10,713
<i>Capital assets being depreciated:</i>				
Buildings	22,852	173	2,332	20,693
Infrastructure	295,104	12,428	1,025	306,507
Machinery and equipment	197,870	7,538	4,146	201,262
Nonutility property	2,993	2,324	-	5,317
Total capital assets being depreciated	518,819	22,463	7,503	533,779
Less accumulated depreciation for:				
Buildings	14,199	721	1,374	13,546
Infrastructure	70,874	3,387	1,106	73,155
Machinery and equipment	79,870	8,412	4,036	84,246
Nonutility property	1,446	1,385	-	2,831
Total accumulated depreciation	166,389	13,905	6,516	173,778
Total capital assets being depreciated, net	352,430	8,558	987	360,001
Waterworks capital assets, net	365,523	39,443	34,252	370,714
Sewer Maintenance				
<i>Capital assets not being depreciated:</i>				
Construction in progress	32,354	11,685	14,114	29,925
Total capital assets not being depreciated	32,354	11,685	14,114	29,925
<i>Capital assets being depreciated:</i>				
Infrastructure	311,356	20,487	251	331,592
Machinery and equipment	3,247	258	-	3,505
Furniture and furnishings	22	-	-	22
Total capital assets being depreciated	314,625	20,745	251	335,119
Less accumulated depreciation for:				
Infrastructure	93,242	4,141	251	97,132
Machinery and equipment	987	290	-	1,277
Furniture and furnishings	17	4	-	21
Total accumulated depreciation	94,246	4,435	251	98,430
Total capital assets being depreciated, net	220,379	16,310	-	236,689
Sewer maintenance capital assets, net	252,733	27,995	14,114	266,614

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Balance 01-01-06	Additions	Deletions	Balance 12-31-06
		<i>(Thousands of Dollars)</i>		
Parking				
<i>Capital assets not being depreciated:</i>				
Land	\$ 8,562	\$ -	\$ -	\$ 8,562
Construction in progress	<u>2,297</u>	<u>916</u>	<u>1,418</u>	<u>1,795</u>
Total capital assets not being depreciated	<u>10,859</u>	<u>916</u>	<u>1,418</u>	<u>10,357</u>
<i>Capital assets being depreciated:</i>				
Buildings	49,087	1,418	-	50,505
Improvements other than buildings	5,498	-	-	5,498
Machinery and equipment	<u>1,011</u>	<u>377</u>	<u>-</u>	<u>1,388</u>
Total capital assets being depreciated	<u>55,596</u>	<u>1,795</u>	<u>-</u>	<u>57,391</u>
Less accumulated depreciation for:				
Buildings	22,221	1,966	-	24,187
Improvements other than buildings	2,867	226	-	3,093
Machinery and equipment	<u>412</u>	<u>119</u>	<u>-</u>	<u>531</u>
Total accumulated depreciation	<u>25,500</u>	<u>2,311</u>	<u>-</u>	<u>27,811</u>
Total capital assets being depreciated, net	<u>30,096</u>	<u>(516)</u>	<u>-</u>	<u>29,580</u>
Parking capital assets, net	<u>40,955</u>	<u>400</u>	<u>1,418</u>	<u>39,937</u>
Other business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	7,908	511	240	8,179
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>7,908</u>	<u>511</u>	<u>240</u>	<u>8,179</u>
<i>Capital assets being depreciated:</i>				
Buildings	12,416	647	-	13,063
Improvements other than buildings	19,569	116	-	19,685
Machinery and equipment	4,608	271	119	4,760
Furniture and Furnishings	<u>48</u>	<u>-</u>	<u>-</u>	<u>48</u>
Total capital assets being depreciated	<u>36,641</u>	<u>1,034</u>	<u>119</u>	<u>37,556</u>
Less accumulated depreciation for:				
Buildings	5,903	236	-	6,139
Improvements other than buildings	13,429	476	-	13,905
Machinery and equipment	3,452	382	128	3,706
Furniture and furnishings	<u>37</u>	<u>4</u>	<u>-</u>	<u>41</u>
Total accumulated depreciation	<u>22,821</u>	<u>1,098</u>	<u>128</u>	<u>23,791</u>
Total capital assets being depreciated, net	<u>13,820</u>	<u>(64)</u>	<u>(9)</u>	<u>13,765</u>
Other business-type activities, net	<u>21,728</u>	<u>447</u>	<u>231</u>	<u>21,944</u>
Business-type activity capital assets, net	<u>\$ 680,939</u>	<u>\$ 68,285</u>	<u>\$ 50,015</u>	<u>\$ 699,209</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Balance 01-01-06	Additions	Deletions	Balance 12-31-056
		<i>(Thousands of Dollars)</i>		
Component Units				
<i>Capital assets not being depreciated:</i>				
Land	\$ 55,713	\$ 2,998	\$ 312	\$ 58,399
Construction in Progress	72,968	34,987	89,704	18,251
Total capital assets not being depreciated	<u>128,681</u>	<u>37,985</u>	<u>90,016</u>	<u>76,650</u>
<i>Capital assets being depreciated:</i>				
Buildings	337,227	92,089	3,005	426,311
Improvements other than buildings	259	340	-	599
Machinery and equipment	3,909	285	21	4,173
Total capital assets being depreciated	<u>341,395</u>	<u>92,714</u>	<u>3,026</u>	<u>431,083</u>
Less accumulated depreciation for:				
Buildings	194,469	16,072	302	210,239
Improvements other than buildings	83	23	-	106
Machinery and equipment	3,589	87	20	3,656
Total accumulated depreciation	<u>198,141</u>	<u>16,182</u>	<u>322</u>	<u>214,001</u>
Total capital assets being depreciated, net ..	<u>143,254</u>	<u>76,532</u>	<u>2,704</u>	<u>217,082</u>
Component units capital assets, net	<u>\$ 271,935</u>	<u>\$ 114,517</u>	<u>\$ 92,720</u>	<u>\$ 293,732</u>

5. DEFERRED REVENUE

Deferred revenue is recorded in the governmental funds for amounts not yet available and for resources received prior to being earned by the City. Related revenue is recognized when these amounts become available or when earned. The composition of the deferred revenue balances in the governmental funds is as follows:

	General	General Obligation Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	<i>(Thousands of Dollars)</i>				
Current property taxes	\$ 143,598	\$ 82,968	\$ 12,795	\$ -	\$ 239,361
Delinquent property taxes	4,413	-	-	1,526	5,939
Unearned revenue	2,295	-	6,551	10,430	19,276
Long-term receivables	-	48,897	-	-	48,897
Unbilled special assessments	-	-	11,566	-	11,566
Total	<u>\$ 150,306</u>	<u>\$ 131,865</u>	<u>\$ 30,912</u>	<u>\$ 11,956</u>	<u>\$ 325,039</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

6. SHORT-TERM DEBT

During 2006, the City issued \$66,000,000 of General Obligation Cash Flow Promissory Notes, Series 2006 R3 (G.O. CFNs). The G.O. CFNs were issued for the purpose of financing the City's operating budget on an interim basis pending receipt of State of Wisconsin shared revenue payments due in November, 2006.

As of December 31, 2005, the City had outstanding \$182,000,000 of short-term Revenue Anticipation Notes (RANs) on behalf of Milwaukee Public Schools. In 2006, the City repaid the outstanding balance and issued \$175,000,000 short-term RANs for the same purpose. The new notes bear interest at the rate of 4.5% and will mature on August 30, 2007. The liability and related receivable to repay the revenue anticipation notes are recorded in the Debt Service Fund.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

7. LONG-TERM OBLIGATIONS

A. Changes in Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2006 were as follows:

	Balance 01-01-06	Additions	Deductions	Balance 12-31-06	Amounts Due within One Year
	<i>(Thousands of Dollars)</i>				
Governmental activities:					
General obligation bonds and notes					
City	\$ 537,696	\$ 208,308	\$ 131,806	\$ 614,198	\$ 70,443
Milwaukee Public Schools	126,589	9,240	16,700	119,129	11,451
Accretion on capital appreciation bonds	-	2,966	-	2,966	-
Deferred amount on refundings	(9,049)	-	(1,318)	(7,731)	-
Unamortized premiums	30,328	8,033	8,303	30,058	-
Capital lease payable	174	-	174	-	-
Compensated absences	38,501	-	2,955	35,546	2,052
Claims and judgments	25,665	8,977	9,651	24,991	7,536
Total governmental activities	<u>\$ 749,904</u>	<u>\$ 237,524</u>	<u>\$ 168,271</u>	<u>\$ 819,157</u>	<u>\$ 91,482</u>
Business-type activities					
Water Works					
General obligation bonds and notes	\$ 27,950	\$ -	\$ 4,692	\$ 23,258	\$ 3,362
Deferred amount on refundings	(891)	-	(196)	(695)	-
Unamortized premiums	1,339	-	200	1,139	-
Revenue bonds	12,921	-	846	12,075	868
Compensated absences	1,031	13	10	1,034	1,034
Total Water Works	<u>42,350</u>	<u>13</u>	<u>5,552</u>	<u>36,811</u>	<u>5,264</u>
Sewer Maintenance					
General obligation bonds and notes	-	33,990	-	33,990	10,000
Revenue bonds	58,555	-	2,480	56,075	2,570
Unamortized premiums	2,457	2	245	2,214	-
Total sewer maintenance	<u>61,012</u>	<u>33,992</u>	<u>2,725</u>	<u>92,279</u>	<u>12,570</u>
Parking					
General obligation bonds and notes	13,953	874	2,080	12,747	2,079
Deferred amount on refundings	(271)	-	(39)	(232)	-
Unamortized premiums	372	-	59	313	-
Total parking	<u>14,054</u>	<u>874</u>	<u>2,100</u>	<u>12,828</u>	<u>2,079</u>
Other Enterprise Funds					
General obligation bonds and notes	4,222	395	477	4,140	480
Deferred amount on refundings	(65)	-	(10)	(55)	-
Unamortized premiums	90	-	13	77	-
Total Other Enterprise	<u>4,247</u>	<u>395</u>	<u>480</u>	<u>4,162</u>	<u>480</u>
Total business-type activities	<u>\$ 121,663</u>	<u>\$ 35,274</u>	<u>\$ 10,857</u>	<u>\$ 146,080</u>	<u>\$ 20,393</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Claims and judgments typically have been liquidated from the special purpose damages and claims account in the general fund.

	Balance 01-01-06	New Issues	Repayments	Balance 12-31-06	Amounts Due within One Year
<i>(Thousands of Dollars)</i>					
Component Units					
Revenue bonds	\$ 109,055	\$ 5,422	\$ 2,776	\$ 111,701	\$ 1,040
Deferred amount on refundings	-	-	-	-	-
Unamortized premiums	-	-	-	-	-
Unamortized discounts	(124)	-	(6)	(118)	-
Notes payable	12,705	15,134	70	27,769	84
Advance from other organizations	300	-	-	300	300
Total component units	<u>\$ 121,936</u>	<u>\$ 20,556</u>	<u>\$ 2,840</u>	<u>\$ 139,652</u>	<u>\$ 1,424</u>

B. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the City and for Milwaukee Public Schools. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are secured by the full faith and unlimited taxing power of the City. The debt for governmental activities will be retired by future property tax levies and other resources accumulated in the Debt Service Funds. The debt for business-type activities (i.e. Water Works, Parking, and Port of Milwaukee Enterprise Funds) will be retired by revenues from those operations or, if the revenues are not sufficient, by future tax levies. During the year ended December 31, 2006, general obligation bonds totaling \$43,510,000 were issued to finance capital improvements.

Use of Public Debt Amortization Fund for retirement of the public debt is governed by the Wisconsin Statutes. The Statutes provide that when total principal and accrued interest in the Public Debt Amortization Fund is substantially equal to the outstanding general obligation bonds and notes, the resources in the fund shall be applied to make annual interest and principal payments on that debt to maturity. The Statutes provide, in part, that "The Public Debt Commission may, however, at any time, apply the fund, not to exceed in any one year 40 percent of the balance in said fund on the preceding December 31, to acquire for cancellation general obligation bonds or notes prior to their maturity dates at prices not to exceed principal plus accrued interest to date of maturity, but the fund shall not be decreased below \$2,000,000 as a result of such purchases and cancellations." Principal sources of revenue are one-third of all interest on general City investments and interest on Fund investments. As authorized by the Statutes, the Public Debt Amortization Fund may purchase for investment or for cancellation, notes issued by the General Fund to fund operations.

Through 2006, \$130,184,000 has been borrowed and outstanding for forty-five tax incremental districts (TID). Total debt service requirements associated with these debt issues amounts to \$183,861,000. Tax increments received through 2006 total \$145,846,000. In any year in which TID debt service requirements for the ensuing year are greater than total tax increments received, the shortfall is funded by the property tax levy.

Under the Wisconsin Statutes, the City is required, if requested by the Board of Milwaukee Public Schools, and if approved by referendum, to issue general obligation bonds to finance purchases of school sites and to construct or remodel school buildings. No such bonds are currently outstanding. The \$119,129,000 of Milwaukee Public School long-term debt outstanding at December 31, 2006 consists of a portion of the City's general obligation bonds and notes which has been designated for school purposes. Under the Wisconsin Statutes, the City has title to the land and buildings of the Milwaukee Public Schools. However, the City does not control the use of the assets or receive the proceeds upon disposition of the assets. At June 30, 2006, the historical costs of the land and buildings as reported by Milwaukee Public Schools was approximately \$887,636,000. These assets are excluded from the financial statements of the City.

C. Revenue Bonds

The City issues revenue bonds to provide funds for water and sewer improvements. As such, they are not backed by the general credit or taxing powers of the City. During the year ended December 31, 2006, the City did not issue revenue bonds.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

The component units issue revenue bonds to provide funds for capital construction and mortgage-backed securities. As such, they are not backed by the general credit or taxing powers of the City.

D. Notes Payable

The City issues installment notes to provide funds for various public improvement projects, cashflow for the school district and purchases of delinquent taxes. During the year ended December 31, 2006, installment loans totaling \$106,253,000 were issued to provide the school district cashflow, finance building projects and purchase 2005's delinquent taxes.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

E. Debt Service Requirements

The maturities of the outstanding principal and related interest requirements are as follows:

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt
	Principal	Interest	Principal	Interest	Service
(Thousands of Dollars)					
Governmental activities					
2007	\$ 81,894	\$ 33,143	\$ -	\$ -	\$ 115,037
2008	74,671	30,098	-	-	104,769
2009	67,835	26,577	-	-	94,412
2010	63,401	23,286	-	-	86,687
2011	58,164	20,160	-	-	78,324
2012-2016	230,950	65,668	-	-	296,618
2017-2021	124,277	30,157	-	-	154,434
2022-2026	32,135	8,646	-	-	40,781
Total	<u>\$ 733,327</u>	<u>\$ 237,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,062</u>
Business-type activities					
Water Works					
2007	\$ 3,362	\$ 1,118	\$ 868	\$ 307	\$ 5,655
2008	2,845	959	891	284	4,979
2009	1,989	850	915	260	4,014
2010	2,492	753	939	236	4,420
2011	2,966	634	964	211	4,775
2012-2016	9,538	1,298	5,214	653	16,703
2017-2020	66	6	2,284	60	2,416
Total	<u>\$ 23,258</u>	<u>\$ 5,618</u>	<u>\$ 12,075</u>	<u>\$ 2,011</u>	<u>\$ 42,962</u>
Sewer Maintenance					
2007	\$ 10,000	\$ 319	\$ 2,570	\$ 2,575	\$ 15,464
2008	22,170	931	2,650	2,487	28,238
2009	117	83	2,740	2,386	5,326
2010	119	78	2,840	2,274	5,311
2011	120	73	2,940	2,151	5,284
2012-2016	708	276	16,625	8,483	26,092
2017-2021	630	110	20,860	3,826	25,426
2022-2025	126	3	4,850	222	5,201
Total	<u>\$ 33,990</u>	<u>\$ 1,873</u>	<u>\$ 56,075</u>	<u>\$ 24,404</u>	<u>\$ 116,342</u>
Parking					
2007	\$ 2,079	\$ 593	\$ -	\$ -	\$ 2,672
2008	2,147	503	-	-	2,650
2009	1,569	407	-	-	1,976
2010	1,166	338	-	-	1,504
2011	1,098	282	-	-	1,380
2012-2016	3,777	716	-	-	4,493
2017-2021	872	90	-	-	962
2022	39	1	-	-	40
Total	<u>\$ 12,747</u>	<u>\$ 2,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,677</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Year	General Obligation Debt		Revenue Bonds Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
(Thousands of Dollars)					
Other Enterprise					
2007	\$ 480	\$ 200	\$ -	\$ -	\$ 680
2008	483	179	-	-	662
2009	503	154	-	-	657
2010	424	131	-	-	555
2011	425	109	-	-	534
2012-2016	1,515	260	-	-	1,775
2017-2021	305	31	-	-	336
2022-2022	5	-	-	-	5
Total	\$ 4,140	\$ 1,064	\$ -	\$ -	\$ 5,204
Total Component Units					
2007	\$ 84	\$ 1,097	\$ 1,040	\$ 3,858	\$ 6,079
2008	7,019	1,028	8,941	3,562	20,550
2009	98	812	495	3,209	4,614
2010	105	805	515	3,184	4,609
2011	112	798	535	3,159	4,604
2012-2016	1,909	3,858	2,470	15,344	23,581
2017-2021	1,759	3,455	389	14,419	20,022
2022-2026	46	3,085	29,106	12,398	44,635
2027-2031	60	3,072	-	9,726	12,858
2032-2036	2,077	2,916	-	9,726	14,719
2037-2041	4,887	2,510	68,210	7,132	82,739
2042-2046	9,405	1,072	-	-	10,477
2047-2051	81	54	-	-	135
2052-2056	127	40	-	-	167
Total	\$ 27,769	\$ 24,602	\$ 111,701	\$ 85,717	\$ 249,789

F. Debt Limit

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. The Statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. At December 31, 2006 the City's legal debt margin was \$1,082,792,000. Of this amount, \$525,134,000 was for school purposes and \$557,658,000 was for City purposes.

G. Refundings

During December, 2006, the City issued general obligation current refunding bonds and notes to refund a portion of the 1996 refunding bonds in the amount of \$1,785,000. The new bonds and notes were issued with an interest rate between 4.25-5%. This refunding will reduce the future debt service payments by \$67,000.

In prior years, the City defeased certain general obligation bonds by placing the proceeds from new general obligation bonds in an irrevocable trust to provide all future debt service payments on the bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. At December 31, 2006, \$138,100,000 of bonds outstanding are considered defeased, which includes debt defeased during the current year.

H. Conduit Debt

From time to time, the City, as well as the Housing Authority and the Redevelopment Authority, has issued revenue bonds in order to provide financing to private sector entities for the purpose of acquiring, constructing, or rehabilitating housing units and for retiring the existing debt associated with housing units. These obligations are primarily secured by mortgage or revenue agreements on the associated projects and, together with the interest obligation, is payable solely by the developers from leased rentals and other funds or revenues. In addition, these obligations do not constitute indebtedness of the City, as the

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

City has no responsibility for the debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The aggregate amount of all revenue bonds outstanding at December 31, 2006 is approximately \$74,680,000 for the City and \$517,000,000 for RACM.

8. RETIREMENT PLANS

Pension Benefits

Plan Description - The City makes contributions to the Employees' Retirement System of the City of Milwaukee (the "System"), a cost-sharing multiple-employer defined benefit pension plan, on behalf of all eligible City employees. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The City Charter assigns the authority to establish and amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Employees' Retirement System of the City of Milwaukee, 200 East Wells Street, Room 610, Milwaukee, WI 53202.

Funding Policy - Plan members are required to contribute, or have contributed on their behalf, a percentage of their annual earnable compensation equal to 5.5%, 7%, 7%, and 7% for general City employees, police officers, firefighters, and elected officials, respectively. New hires who are not sworn police/fire must pay 1.6% of pensionable earnings for 8 years to fund the cost of benefit escalators due to the Global Pension Settlement. The City is required to contribute the actuarially determined amount. The City Charter assigns the authority to establish and amend contribution requirements. The City's contributions to the System for the years ending December 31, 2006, 2005, and 2004, were \$22,751,000, \$23,619,000, and \$21,693,000, respectively, equal to the required contributions on behalf of the plan members for each year.

Other Postemployment Benefits

The City provides medical insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts or by Common Council resolution. Retirees are eligible to enroll in any of the group plans offered by the City. Aside from the Basic Plan, this includes any of the Health Maintenance Organizations (HMO) plans currently offered to active employees.

The City provides full health insurance coverage to general City employees who retire at age 55, but less than age 65, with 30 years of creditable service or age 60, but less than age 65, with 15 years of creditable service until the age of 65. Management employees retiring beginning in 2004 at age 55, but less than 65, pay a portion of health insurance the same as active management employees. In accordance with a "percentage formula" as provided in labor agreements, the City provides between 65% and 100% of the cost of the Basic Plan coverage for firefighters and police officers who retire with 25 years of creditable service and having attained at least the age of 52 but less than 60. Upon reaching the age of 60 but prior to the age of 65, the City provides full health insurance coverage for firefighters with single enrollment status and police officers with single enrollment status. The City contribution for firefighters between the ages of 60 and 65 with family enrollment status is the greater of 100% of the cost of single enrollment in the Basic Plan or an amount determined using the "percentage formula." The "percentage formula" used to determine the City contribution in the labor agreements is based on the amount of unused sick leave at retirement.

After attaining the age of 65 and having completed a minimum of 15 years of creditable service, all retirees are eligible to enroll in a "subsidized plan" for medical insurance. Under this plan, the City contributes 25% of the base rate toward retirees enrolled in the Basic Plan, while the retiree pays 75% of the base rate and 100% of the major medical rate. For those retirees enrolled in an HMO, the City contributes a 25% subsidy of the applicable HMO premium.

Medical insurance for retirees is financed on a pay-as-you-go basis. Approximately 4,320 employees are eligible to receive these benefits. For 2006, the City paid approximately \$27,054,000 toward medical insurance for its retirees.

In addition to medical insurance, the City allows its employees to continue life insurance coverage under the Group Life Insurance Plan offered to active employees in accordance with Section 350-25 of the Code of Ordinances. The base amount of coverage for general City employees is equal to the employee's annual basic salary to the next higher thousand dollars. The base amount of coverage for firefighters and police officers is equal to one and one-half the employee's annual basic salary to the next higher thousand dollars.

General City employees retiring at age 55 or older with 20 years of service or at age 60 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage at the level on the date prior to their

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

date of retirement. Firefighters and police officers retiring at age 52 or older with 20 years of service or at age 57 regardless of years of service and covered under the group life insurance plan at retirement are eligible to continue coverage up to their base amount of coverage on the date prior to their date of retirement. Prior to age 65, all retirees are required to pay the full premium rates as established by the insurance carrier, less an adjustment for estimated dividends. The rates established are group rates applied consistently to all employees, without regard to age or health. Upon reaching the age of 65, those retirees still part of the group life plan have their coverage reduced in accordance with the reduction schedule in effect on their last day physically at work, with the City assuming all future premiums.

For 2005, the group's rate for life insurance for the City population as a whole was approximately fifty-three cents per month per \$1,000 of coverage after estimated dividends. The effect on this rate as a result of including retirees in the pool is not determinable. Group life insurance for retirees age 65 or older are financed on a pay-as-you-go basis and cannot be readily separated from amounts paid on behalf of active employees. The City estimates \$1,200,000 out of a total \$4,419,000 for group life insurance for 2006 is attributable to approximately 4,955 retirees on the basis of the common group life rate.

Terminal Leave Payments

Upon retirement, employees receive a portion of their unused sick leave as terminal leave, in accordance with labor contracts and Section 350-38 of the Code of Ordinances. Firefighters whose normal hours of work exceed 40 hours per week receive between \$45 and \$65 for each work shift equivalent of unused sick leave. Firefighters whose normal hours of work average 40 hours per week receive between \$21 and \$30 for each work shift equivalent of unused sick leave. Police officers receive payment for up to 55 days of unused sick leave at base pay. Management pay plan employees are entitled to payment of 30% of unused sick leave (maximum 960 hours) plus one-half of the sick leave days accumulated during the last twelve months of service for up to six additional days for a total maximum of 42 days at the rate of pay at retirement. Substantially all remaining City employees receive up to 30 days for unused sick leave as terminal leave, although some bargaining units receive slightly different benefits in accordance with related labor agreements. In 2006, approximately \$10,215,000 was paid for sick leave from all funds. At December 31, 2006 accumulated sick leave earned but not taken totaled approximately \$150,281,000 determined on the basis of current salary rates.

Terminal leave pay is funded on a pay-as-you-go basis and provided for in the salary budgets of the respective departments annually. In 2006 terminal leave payments totaled \$1,601,000 to employees retiring during the year. As of December 31, 2006, the City has accrued approximately \$17,806,000 in the government-wide statements for future terminal leave payments. This amount is included under the unfunded compensated absences of \$35,546,000 with the remainder accrued vacation leave of \$17,740,000.

9. FUND EQUITY

Reserved for Tax Stabilization and Advances to Other Funds

The Reserved for Tax Stabilization, \$82,090,000 at December 31, 2006, is governed by the City's Code of Ordinances. This reserve includes an amount for advances of \$14,700,000 from the general fund to the capital projects fund. The general fund has advanced this amount to fund special assessment projects. The availability of the \$14,700,000 for Tax Stabilization is contingent upon future collection of the special assessments receivable. All General Fund appropriation balances not encumbered or carried over are reserved for tax stabilization in subsequent years. The total amount that can be withdrawn from the Reserved for Tax Stabilization in any one year is an amount that prevents an increase of more than three percent in the City's property tax rate, as defined, and is anticipated to be available as of April 15 of the year covered by the budget. Such amount must be included in the adopted budget, which requires a majority affirmative vote of the Common Council. Fund withdrawals not needed to stabilize the tax rate can be made for up to 50% of the available balance, but require a three-fourths affirmative vote of the Common Council.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

10. INTERFUND RECEIVABLE AND PAYABLE BALANCES AND NET TRANSFERS

The individual interfund receivable and payable balances at December 31, 2006, were as follows:

		Due From				
		General Fund	Water Works	Sewer Maintenance Fund	Nonmajor Proprietary Funds	Total
		(Thousands of Dollars)				
Due To	General Fund	\$ -	\$ 438	\$ -	\$ -	\$ 438
	General Obligation Debt	2,647	4,483	-	-	7,130
	Capital Projects	2,227	-	-	-	2,227
	Nonmajor Governmental Funds	8,963	-	-	-	8,963
	Water Works	6,293	-	868	860	8,021
	Nonmajor Proprietary Funds ..	6,299	-	-	-	6,299
	Totals	\$ 26,429	\$ 4,921	\$ 868	\$ 860	\$ 33,078

Balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, (3) payments between funds are made, (4) and funds overdraw their share of pooled cash or when there are transactions between funds where one fund does not participate in the City's pooled cash.

Interfund transfers for the year ended December 31, 2006 were as follows:

Funds Transferred To	Fund Transferred From	Amount	Purpose
General Fund	General Obligation Debt	\$ 7,640	Funding for debt payments
	Nonmajor Governmental Funds	4,595	Subsidize uncollected property taxes
	Water Works	7,461	Payment in Lieu of taxes
	Parking	967	Payment in Lieu of taxes
	Parking	15,200	Subsidy for operations
	Nonmajor Proprietary Funds	3,133	Excess earnings of Port
	Subtotal General Fund	38,996	
Debt Service	General	66,000	Funding for cash flow debt
	General	1,627	Funding for debt payments
	Public Debt Amortization	10,849	Funding for debt payments
	Capital Projects	485	Tax Incremental District closeouts
	Nonmajor Governmental Funds	14,077	Funding for debt payments
	Sewer Maintenance	7,000	Subsidy for operations
	Parking	499	Subsidy for operations
	Subtotal Debt Service	100,537	
Nonmajor Proprietary	General Fund	3	Subsidy for operations
	General Obligation Debt	688	Funding for debt payments
	Subtotal Nonmajor Proprietary	691	
	Total Interfund Transfers	\$ 140,224	

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget required to expend them. (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. BALANCES BETWEEN THE CITY AND COMPONENT UNITS

Balances due to and due from component units as of December 31, 2006, consist of the following:

Component Unit Payable	Primary Government's Receivable <i>(Thousands of Dollars)</i>
Due from HACM for reimbursable expenditures	\$ 2,773
Due from RACM for loans issued to developers for the purpose of renovations and improvements to existing parcels of real estate	11,481
Due from RACM for reimbursable expenditures	136
Due from MEDC for tax incremental district loans	2,560
Due from MEDC for reimbursable expenditures	13
Due from NIDC for home and Community Development Block grants	127
Due from NIDC for reimbursements for expenditures	<u>23</u>
Total	<u>\$ 17,113</u>

Component Unit Receivable	Primary Government's Payable <i>(Thousands of Dollars)</i>
Due to HACM for project expenditures	\$ 52
Due to RACM for project expenditures	1,059
Due to NIDC for reimbursements for programmatic expenditures passed through the City	<u>146</u>
Total	<u>\$ 1,257</u>

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

12. OPERATING LEASES

The City is the lessor for various properties under operating lease agreements expiring at various dates through 2007 and beyond. Certain leases contain provisions for possible renewal at term of the lease.

Scheduled minimum lease payments for years ending December 31 are as follows:

Year	Amount
<i>(Thousands of Dollars)</i>	
2007	\$ 3,354
2008	3,167
2009	2,805
2010	3,184
2011	2,940
2012-2016	14,308
2017-2021	10,634
2022-2026	3,167
2027 and beyond	<u>8,498</u>
Total	<u>\$ 52,057</u>

13. COMMITMENTS AND CONTINGENCIES

Claims and Other Legal Proceedings

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employee or natural disaster. With certain exceptions, it is not the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for reasonably estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations. Current settlements are paid from the General Fund and recorded as expenditures when paid in the fund based statements. The liabilities are recorded in the government-wide financial statement.

Under Wisconsin Statutes, the amount recoverable by any person for any damages, injuries or death in any action founded on fact against the City, agencies, officials, officers or employees cannot exceed \$50,000, with certain exceptions.

The City is self-insured for workers' compensation, health insurance (basic plan), uninsured motorist motor vehicle coverage for City employees, and general liability. Liabilities are reported when it is probable that a loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other economic and social factors. Claims are paid from the General Fund and recorded as expenditures when paid in the fund based financial statements. The liabilities are recorded in the government-wide statements.

The liabilities recorded as long-term debt in the government-wide statements are as follows:

General liability claims	\$ 16,690,000
Workers' compensation claims	4,640,000
Unemployment claims	1,201,000
Health insurance claims	2,460,000

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Changes in the balances of claim liabilities during the past two years are as follows:

	2005	2006
Beginning of year liability	\$ 28,936,000	\$ 25,665,000
Current year claims and changes in estimates	10,934,000	8,977,000
Claim payments	<u>(14,205,000)</u>	<u>(9,651,000)</u>
End of year liability	<u>\$ 25,665,000</u>	<u>\$ 24,991,000</u>

Starting in October 2002, seventeen white male lieutenants in the MPD filed a series of EEOC charges alleging discrimination on the basis of race and gender in their failure to be promoted to the rank of Captain of Police. The EEOC concluded its investigation without finding cause, and issued notice of rights to sue letters, on April 1, 2003 and the seventeen plaintiffs filed a suit on June 27, 2003. The complaint alleges a class action on behalf of all white male lieutenants of the MPD who have sought or will seek promotion from the position of lieutenant to captain, or who in the future will be denied equal employment opportunity by the MPD due to their being white males. The Complaint names the City, the Board of the FPC, and former Chief of Police Arthur Jones in his individual and official capacity. It also names each of the FPC Commissioners as of the suit's commencement, in their individual and official capacities. The Complaint alleges violations of Title VII of the Civil Rights Act of 1964, as amended as well as equal protection violations actionable under 42 U.S.C. §§ 1983 and 1981. Plaintiffs seek compensatory damages in the sum of \$300,000 each, plus unspecified sums in punitive damages, as well as other relief available such as attorneys' fees and costs. The case was tried in March, 2005, and decided against the City. The jury awarded \$2,198,500 in compensatory and punitive damages. In addition, the court awarded economic damages, attorney fees and costs for a total award of \$4,167,684. On February 13, 2006, the City filed a notice to appeal to the Seventh Circuit Court of Appeals. The appeals court vacated the damages award, but upheld the liability finding. A settlement agreement has been reached for \$2,650,000 pending Common Council approval.

The Milwaukee Police Association (MPA) alleged that The Milwaukee Employees' Retirement System (ERS) was prohibited by City ordinance from spending more than \$3 million to purchase and install a computer information system. It estimates that the total cost of ERS information system is approximately \$25 million. The MPA suit was subsequently voluntarily dismissed in 2005 and a clone case was brought by the Milwaukee Police Supervisors Organization (MPSO). The dispute in the case is over the interpretation of the section of the City ordinance that transferred all administrative, operational, and investment expenses for the City to ERS.

On October 24, 2004, Frank Jude, Kirsten Antonissen, Katie Brown, and Lovell Harris attended a party in the city hosted by a Milwaukee police officer and to which a number of other police officers had been invited. At some point, a number of the off-duty officers became involved in an altercation with Mr. Jude. Jude claims that he was beaten for no reason and he did suffer severe injuries. The off-duty officers claim that they became involved with Jude only after they suspected that he had stolen a badge from one of them. They also claim that Jude resisted their efforts to obtain physical control of him. On-duty police were also called to the scene and Jude claims that they, too, used excessive force on him and failed to stop the use of excessive force by those off-duty officers who were striking Mr. Jude. In addition to issues concerning the cause of the altercation, its actual participants, and its course, there is a substantial question of whether the off-duty officers involved in the matter were acting within the scope of their employment. The county prosecutor charged three of the off-duty officers with crimes, but in April 2006 two were found not guilty and the jury could not reach a final verdict as to one charge against the third. Federal authorities have charged several of the party-goers with civil rights violations, and those cases will proceed to trial in July 2007. The police chief fired many of the officers involved in the incident and the appeal of several of these terminations remains pending. The four above cases have been consolidated and all proceedings have been stayed pending the outcome of the federal criminal trial.

Environmental Liabilities

The City is exposed to numerous environmental liabilities, the most significant of which relate to seven landfills. Two of the seven landfills have been closed. Of the remaining four landfills that are no longer accepting waste, the Wisconsin Department of Natural Resources has imposed closure requirements on the North College Avenue Site, which the City substantially closed during 2000. The Hartung landfill, which is used exclusively for clean fill, is expected to be closed within three years. The City has accrued \$980,000 in the government-wide financial statement, as part of general liability claims, for landfill closure related to the four sites. These amounts are based upon what it would cost to perform all closure activities in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF MILWAUKEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

GASB Statement No. 18 "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*" establishes requirements for disclosure of closure and postclosure requirements for all municipal solid waste landfills receiving solid waste after October 9, 1991. The City's landfills have not accepted waste of this type since 1976 and is therefore not required to accrue for closure and postclosure care in accordance with GASB Statement No. 18.

Construction Commitments

The governmental activities and the Water Works Fund (enterprise) have construction commitments of \$44,185,000 and \$6,712,000, respectively, for various capital improvement projects at December 31, 2006.

Intergovernmental grants

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures, which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements at December 31, 2006.

14. SUBSEQUENT EVENTS

On March 6, 2007, the City issued \$66,000,000 of short-term revenue anticipation notes for the purpose of temporarily financing the City's operating budget until the receipt of State shared revenues. These notes mature on March 27, 2008 with interest.

On June 27, 2007, the City issued \$7,090,000 of general obligation corporate purpose bonds for the purpose of financing various public improvement projects of the City. These bonds mature on February 15 of each year beginning 2018 until 2024. Interest is payable on February 15 and August 15 commencing February 15, 2008.

On June 27, 2007, the City issued \$42,740,000 of general obligation short-term promissory notes for the purpose of financing various public improvement projects of the City. The notes mature on February 15 of each year beginning 2008 until 2017. Interest is payable on February 15 and August 15 commencing February 15, 2008.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

This page left blank intentionally.

CITY OF MILWAUKEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit E-1

	Budgeted Amounts		Actual -	Variance
	Original	Final	Amounts	Positive
	Budget	Budget	Budgetary	(Negative)
			Basis	
Revenues:				
Property taxes	\$ 145,697	\$ 145,697	\$ 141,102	\$ (4,595)
Other taxes	4,736	4,736	5,202	466
Licenses and permits	11,018	11,018	13,729	2,711
Intergovernmental	272,233	272,247	272,417	170
Charges for services	69,690	69,690	73,528	3,838
Fines and forfeits	5,206	5,206	5,541	335
Other	10,141	10,431	17,353	6,922
Total Revenues	518,721	519,025	528,872	9,847
Expenditures:				
Current:				
General government	206,288	196,304	178,004	18,300
Public safety	238,398	251,097	250,672	425
Public works	85,598	86,515	86,482	33
Health	10,285	10,432	10,428	4
Culture and recreation	18,376	18,192	17,882	310
Conservation and development	3,373	3,309	3,217	92
Total Expenditures	562,318	565,849	546,685	19,164
Deficiency of Revenues over Expenditures	(43,597)	(46,824)	(17,813)	29,011
Other Financing Sources (Uses):				
General obligation bonds and notes issued	-	-	66,000	66,000
Transfers in	25,625	33,265	38,996	5,731
Transfers out	-	(3)	(67,630)	(67,627)
Contributions received	24,845	24,845	25,807	962
Contributions used	(23,849)	(28,377)	(25,412)	2,965
Use of fund balance - reserved for tax stabilization	16,328	16,328	16,328	-
Total Other Financing Sources and Uses	42,949	46,058	54,089	8,031
Net Change in Fund Balance	(648)	(766)	36,276	37,042
Fund Balance - Beginning (Excludes Reserved for				
 Tax Stabilization)	68,899	68,899	68,899	-
Fund Balance - Ending	\$ 68,251	\$ 68,133	\$ 105,175	\$ 37,042
Explanation of Differences of Budget to GAAP:				
For budget purposes, the fund balance - reserved for tax stabilization is reflected as other financing sources whereas for accounting purposes, it is reflected as part of fund balance. The difference between the fund balance on a GAAP basis compared to budget basis is \$16.328 million at January 1, 2006. In addition, budgeted expenditures do not include capital lease payments as public safety expenditures.				
Contributions received and used for budget purposes are reported as other financing sources, but for GAAP are considered to be revenues and expenditures.				
See accompanying independent auditors' report.				

This page left blank intentionally.

**COMBINING
AND INDIVIDUAL
FUND STATEMENTS
AND SCHEDULES**

This page left blank intentionally.

Nonmajor Governmental Funds

Nonmajor funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Grant and Aid Projects – This fund is used to account for Federal and State grants whose proceeds are legally restricted to expenditures for specific purposes and which are not accounted for in other special revenue funds.

Community Development Block Grant – The Community Development Block Grant Program receives annual grants pursuant to the Federal Housing and Community Development Act of 1974. This fund also includes amounts received under the Section 108 Loan Program. The City's Department of Administration is responsible for the planning, execution and evaluation of the Program.

Delinquent Tax – This fund was established as a reserve against uncollected delinquent property taxes. Fund resources, consisting initially of bond proceeds, are used to purchase delinquent property taxes from the General Fund. Collections on these purchased receivables and related interest thereon are transferred to the General Obligation Debt Service Fund to provide for the related debt service requirements.

Economic Development Fund – This fund provides expenditure authority for owner financed economic development in commercial areas, including the Business Improvement District program.

CITY OF MILWAUKEE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit F-1

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	\$ 2,936	\$ -	\$ 10,563	\$ 2	\$ 13,501
Receivables (net):					
Taxes	-	-	7,869	-	7,869
Accounts	1,050	550	-	-	1,600
Notes and loans	12,681	2,651	-	-	15,332
Due from component units	85	42	-	-	127
Due from other governmental agencies	13,105	2,561	-	-	15,666
Total Assets	\$ 29,857	\$ 5,804	\$ 18,432	\$ 2	\$ 54,095
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,232	\$ 1,967	\$ -	\$ -	\$ 6,199
Accrued expenses	133	72	-	-	205
Due to other funds	8,769	194	-	-	8,963
Due to component units	215	370	-	-	585
Due to other governmental agencies	575	550	-	-	1,125
Deferred revenue	10,430	-	1,526	-	11,956
Total Liabilities	24,354	3,153	1,526	-	29,033
Fund Balances:					
Reserved for debt service	-	-	10,563	-	10,563
Reserved for delinquent taxes receivable ..	-	-	6,343	-	6,343
Reserved for economic development	-	-	-	2	2
Unreserved, undesignated	5,503	2,651	-	-	8,154
Total Fund Balances	5,503	2,651	16,906	2	25,062
Total Liabilities and Fund Balances .	\$ 29,857	\$ 5,804	\$ 18,432	\$ 2	\$ 54,095
<i>See accompanying independent auditors' report.</i>					

Exhibit F-2

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (Thousands of Dollars)

	Grant and Aid Projects	Community Development Block Grant	Delinquent Tax	Economic Development	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	\$ -	\$ -	\$ 3,097	\$ -	\$ 3,097
Intergovernmental	42,782	19,332	-	-	62,114
Other	-	-	2,381	9,297	11,678
Total Revenues	42,782	19,332	5,478	9,297	76,889
Expenditures:					
Current:					
General government	-	2,241	920	-	3,161
Public safety	14,970	2,027	-	-	16,997
Public works	3,562	495	-	-	4,057
Health	16,282	1,072	-	-	17,354
Culture and recreation	1,021	1,506	-	-	2,527
Conservation and development	10,297	11,991	-	9,296	31,584
Total Expenditures	46,132	19,332	920	9,296	75,680
Excess (deficiency) of Revenues over Expenditures	(3,350)	-	4,558	1	1,209
Other Financing Sources (Uses):					
General obligation bonds and notes issued .	-	-	14,735	-	14,735
Loans receivable activities.....	2,000	(993)	-	-	1,007
Transfers out	-	-	(18,672)	-	(18,672)
Total Other Financing Sources and Uses	2,000	(993)	(3,937)	-	(2,930)
Net Change in Fund Balances	(1,350)	(993)	621	1	(1,721)
Fund Balances - Beginning	6,853	3,644	16,285	1	26,783
Fund Balances - Ending	\$ 5,503	\$ 2,651	\$ 16,906	\$ 2	\$ 25,062

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANT AND AID PROJECTS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit F-3

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 46,715	\$ 42,782	\$ (3,933)
Expenditures:			
Current:			
Public safety	15,317	14,970	347
Public works	3,609	3,562	47
Health	16,440	16,282	158
Culture and recreation	1,027	1,021	6
Conservation and development	10,322	10,297	25
Total Expenditures	46,715	46,132	583
Excess of Revenues over (under) Expenditures	-	(3,350)	(3,350)
Other Financing Sources (Uses):			
Loans receivable activities	-	2,000	2,000
Transfers out	-	-	-
Net Change in Fund Balance	-	(1,350)	(1,350)
Fund Balance - Beginning	-	6,853	6,853
Fund Balance - Ending	\$ -	\$ 5,503	\$ 5,503

See accompanying independent auditors' report.

Exhibit F-4

See accompanying independent auditors' report.

CITY OF MILWAUKEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT
 FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit F-5

	Amended Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Other	\$ 10,534	\$ 9,297	\$ (1,237)
Expenditures:			
Current:			
Conservation and development	10,534	9,296	1,238
Excess of Revenues over (under) Expenditures	-	1	1
Fund Balance - Beginning	-	1	1
Fund Balance - Ending	\$ -	\$ 2	\$ 2

See accompanying independent auditors' report.

Nonmajor Enterprise Funds

Enterprise Funds are used to account for operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Port of Milwaukee – All activities necessary to operate and maintain the Port of Milwaukee and other related harbor activities are accounted for in this fund.

Metropolitan Sewerage District User Charge – The Metropolitan Sewerage District User Charge Fund is used to account for sewerage treatment charges by the Milwaukee Metropolitan Sewerage District to the City on a “wholesale” user charge basis and the subsequent billing by the City to customers on a “retail” basis. The City adds administrative expense to the District’s charges and includes the sewer user charges on the quarterly water bills.

CITY OF MILWAUKEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit G-1

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Receivables (net):			
Taxes	\$ 56	\$ -	\$ 56
Accounts	873	6,898	7,771
Unbilled accounts	-	2,008	2,008
Due from other funds	-	860	860
Total Current Assets	<u>929</u>	<u>9,766</u>	<u>10,695</u>
Noncurrent assets:			
Capital assets:			
Capital assets not being depreciated:			
Land	8,179	-	8,179
Capital assets being depreciated:			
Buildings	13,063	-	13,063
Improvements other than buildings	19,685	-	19,685
Machinery and equipment	4,760	-	4,760
Furniture and furnishings	48	-	48
Accumulated depreciation	(23,791)	-	(23,791)
Total Noncurrent Assets	<u>21,944</u>	<u>-</u>	<u>21,944</u>
Total Assets	<u>22,873</u>	<u>9,766</u>	<u>32,639</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	627	8,732	9,359
Accrued expenses	114	1	115
Accrued interest payable	116	-	116
Due to other funds	1,676	4,623	6,299
Deferred revenue	100	-	100
General obligation debt payable - current	480	-	480
Total Current Liabilities	<u>3,113</u>	<u>13,356</u>	<u>16,469</u>
Noncurrent Liabilities:			
General obligation debt	<u>3,682</u>	<u>-</u>	<u>3,682</u>
Total Liabilities	<u>6,795</u>	<u>13,356</u>	<u>20,151</u>
NET ASSETS:			
Invested in capital assets, net of related debt	17,781	-	17,781
Unrestricted	<u>(1,703)</u>	<u>(3,590)</u>	<u>(5,293)</u>
Total Net Assets	<u>\$ 16,078</u>	<u>\$ (3,590)</u>	<u>\$ 12,488</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit G-2

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for Services:			
Statutory sewer user fee	\$ -	\$ 29,832	\$ 29,832
Rent	4,864	-	4,864
Other	-	663	663
Total Operating Revenues	<u>4,864</u>	<u>30,495</u>	<u>35,359</u>
Operating Expenses:			
Milwaukee Metropolitan Sewerage District Charges	-	27,407	27,407
Employee services	1,335	118	1,453
Administrative and general	-	20	20
Depreciation	897	-	897
Transmission and distribution	-	3,072	3,072
Services, supplies and materials	946	-	946
Billing and collection	-	1,315	1,315
Total Operating Expenses	<u>3,178</u>	<u>31,932</u>	<u>35,110</u>
Operating Income (Loss)	<u>1,686</u>	<u>(1,437)</u>	<u>249</u>
Nonoperating Revenues (Expenses):			
Interest expense	(263)	-	(263)
Gain on disposal of fixed assets	(230)	-	(230)
Other	<u>130</u>	<u>-</u>	<u>130</u>
Total Nonoperating Revenues (Expenses)	<u>(363)</u>	<u>-</u>	<u>(363)</u>
Income (Loss) before Contributions and Transfers	1,323	(1,437)	(114)
Capital contributions	774	-	774
Transfers in	691	-	691
Transfers out	<u>(3,133)</u>	<u>-</u>	<u>(3,133)</u>
Change in Net Assets	(345)	(1,437)	(1,782)
Total Net Assets - Beginning	<u>16,423</u>	<u>(2,153)</u>	<u>14,270</u>
Total Net Assets - Ending	<u>\$ 16,078</u>	<u>\$ (3,590)</u>	<u>\$ 12,488</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit G-3

	Port of Milwaukee	Metropolitan Sewerage District User Charge	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 4,585	\$ 30,180	\$ 34,765
Payments to suppliers	(456)	(29,387)	(29,843)
Payments to employees	(1,336)	(119)	(1,455)
Payments from other funds	365	(674)	(309)
Payments to other funds	-	-	-
Net Cash Provided by Operating Activities	<u>3,158</u>	<u>-</u>	<u>3,158</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	(3,133)	-	(3,133)
Transfers to other funds	<u>214</u>	<u>-</u>	<u>214</u>
Net Cash Used for Noncapital Financing Activities	<u>(2,919)</u>	<u>-</u>	<u>(2,919)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital contributions	565	-	565
Proceeds from sale of bonds and notes	395	-	395
Acquisition of property, plant and equipment	(653)	-	(653)
Retirement of bonds, notes and revenue bonds	(477)	-	(477)
Interest paid	(211)	-	(211)
Other	<u>142</u>	<u>-</u>	<u>142</u>
Net Cash Used for Capital and Related Financing Activities	<u>(239)</u>	<u>-</u>	<u>(239)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,686	\$ (1,437)	\$ 249
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	897	-	897
Changes in assets and liabilities:			
Receivables	(279)	(315)	(594)
Due from other funds	-	1,236	1,236
Accounts payable	490	2,427	2,917
Accrued liabilities	(1)	(1)	(2)
Due to other funds	365	(1,910)	(1,545)
Deferred revenue	-	-	-
Net Cash Provided by Operating Activities	<u>\$ 3,158</u>	<u>\$ -</u>	<u>\$ 3,158</u>
During the year, the Port of Milwaukee received donated assets of \$699,000.			
See accompanying independent auditors' report.			

Agency Funds

These funds account for taxes and deposits collected by the City, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit H-1

	Balance 01-01-06	Additions	Deductions	Balance 12-31-06
BOARD OF SCHOOL DIRECTORS FUND				
ASSETS				
Cash and cash equivalents	\$ 179,849	\$ 1,396,172	\$ 1,403,014	\$ 173,007
Taxes receivable	-	117,810	117,810	-
Total Assets	\$ 179,849	\$ 1,513,982	\$ 1,520,824	\$ 173,007
LIABILITIES				
Due to Other Governmental Agencies:				
Milwaukee School Board	\$ 179,849	\$ 1,396,172	\$ 1,403,014	\$ 173,007
PROPERTY TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 88,058	\$ 208,363	\$ 196,521	\$ 99,900
Taxes Receivable	-	108,474	108,474	-
Total Assets	\$ 88,058	\$ 316,837	\$ 304,995	\$ 99,900
LIABILITIES				
Due to Other Governmental Agencies:				
State of Wisconsin	\$ 56	\$ 4,977	\$ 4,970	\$ 63
Milwaukee County	50,476	114,283	107,670	57,089
Menomonee Falls School District	-	178	178	-
Milwaukee Area District Board of Vocational Technical & Adult Education	21,389	50,946	47,689	24,646
Milwaukee Metropolitan Sewerage District	16,137	37,939	35,974	18,102
Washington County	-	3	3	-
Waukesha County	-	37	37	-
Total Liabilities	\$ 88,058	\$ 208,363	\$ 196,521	\$ 99,900
PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	\$ 163	\$ 1,296	\$ 1,242	\$ 217
LIABILITIES				
Accounts payable	\$ 163	\$ 1,296	\$ 1,242	\$ 217
See accompanying independent auditors' report.				

CITY OF MILWAUKEE
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit H-1 (Continued)

	Balance 01-01-06	Additions	Deductions	Balance 12-31-06
FEES, PENALTIES AND SALES TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 284	\$ 3,575	\$ 3,531	\$ 328
LIABILITIES				
Accounts payable	\$ 1	\$ 60	\$ 59	\$ 2
Due to Other Governmental Agencies:				
State of Wisconsin	231	2,671	2,617	285
Milwaukee County	52	845	856	41
Total Liabilities	\$ 284	\$ 3,576	\$ 3,532	\$ 328
OTHER				
ASSETS				
Cash and cash equivalents	\$ 1,753	\$ 18,331	\$ 17,622	\$ 2,462
LIABILITIES				
Accounts payable	\$ 1,753	\$ 18,331	\$ 17,622	\$ 2,462
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 270,107	\$ 1,627,737	\$ 1,621,930	\$ 275,914
Receivables:				
Taxes	-	226,284	226,284	-
Total Assets	\$ 270,107	\$ 1,854,021	\$ 1,848,214	\$ 275,914
LIABILITIES				
Accounts payable	\$ 1,917	\$ 19,687	\$ 18,923	\$ 2,681
Due to other governmental agencies	268,190	1,608,051	1,603,008	273,233
Total Liabilities	\$ 270,107	\$ 1,627,738	\$ 1,621,931	\$ 275,914
<i>See accompanying independent auditors' report.</i>				

This page left blank intentionally.

**MISCELLANEOUS
FINANCIAL
DATA**

Exhibit I-1

	Real Estate	Personal Property	Total
Year Levied			
1985 -1995	\$ 378	\$ 1	\$ 379
1996	491	-	491
1997	287	-	287
1998	198	-	198
1999	240	-	240
2000	284	144	428
2001	420	222	642
2002	626	265	891
2003	1,229	225	1,454
2004	3,572	346	3,918
2005	<u>15,169</u>	<u>441</u>	<u>15,610</u>
Delinquent Taxes Receivable	<u>\$ 22,894</u>	<u>\$ 1,644</u>	24,538
Add: Property taxes receivable on foreclosed property (A)			<u>14,539</u>
Total Delinquent Taxes Receivable			39,077
Less: Estimated uncollectible taxes			<u>(16,139)</u>
Net Delinquent Taxes Receivable			<u>\$ 22,938</u>
See accompanying independent auditors' report.			
(A) Property taxes receivable on foreclosed property is valued at the cost of delinquent taxes and assessments on acquired property.			

CITY OF MILWAUKEE
COMBINED SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS - REPORTING ENTITY
 DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit I-2

Cash and Cash Equivalents:

Cash	\$ 70,570
Local Government Pooled - Investment Fund	124,579
Institutional Money Market Fund	100
Cash with Fiscal Agent	8,116
Certificates of Deposit	476,576
U.S. Agency Notes	37,740
Other	<u>14,424</u>

Total Cash and Cash Equivalents \$ 732,105

Investments:

Treasury Notes, Bills and Agencies	21,680
Investments with Fiscal Agent	1,619
Capital Appreciation Bonds	10,674
Certificates of Deposit	731
Other	<u>6,514</u>

Total Investments 41,218

Total Cash and Cash Equivalents and Investments \$ 773,323

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Cash and Cash Equivalents and Investments - Fund:				
General	\$ 133,431	\$ 280	\$ -	\$ 133,711
General Obligation Debt Service	95,292	-	-	95,292
Public Debt Amortization	41,530	31,892	-	73,422
Capital Projects	37,035	-	-	37,035
Nonmajor Governmental Funds	13,501	-	-	13,501
Water Works	31,177	-	632	31,809
Sewer Maintenance	12,383	-	8,116	20,499
Parking	23,024	-	-	23,024
Nonmajor Enterprise Funds	-	-	-	-
Pension and Other Employee Benefit Trusts	260	-	-	260
Private-Purpose Trusts	2,959	3,460	-	6,419
Agency Funds	275,914	-	-	275,914
Component Units	<u>56,851</u>	<u>5,586</u>	<u>-</u>	<u>62,437</u>
Total Cash and Cash Equivalents and Investments - Fund	<u>\$ 723,357</u>	<u>\$ 41,218</u>	<u>\$ 8,748</u>	<u>\$ 773,323</u>

See accompanying independent auditors' report.

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit I-3

Year	Bridges		Economic Development		Finance Real and Personal Property Tax Receivables	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 1,765	\$ 921	\$ 46	\$ 7	\$ 14,360	\$ 951
2008	1,815	852	41	5	6,370	452
2009	1,868	763	38	3	2,819	238
2010	1,815	670	21	1	1,884	129
2011	1,640	578	2	1	1,107	55
2012	1,543	498	2	1	530	13
2013	1,439	422	2	-	-	-
2014	1,306	350	1	-	-	-
2015	1,292	286	1	-	-	-
2016	1,060	223	-	-	-	-
2017	909	175	-	-	-	-
2018	824	134	-	-	-	-
2019	698	99	-	-	-	-
2020	511	72	-	-	-	-
2021	711	44	-	-	-	-
2022	267	24	-	-	-	-
2023	200	15	-	-	-	-
2024	200	8	-	-	-	-
2025	<u>200</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>20,063</u>	<u>6,135</u>	<u>154</u>	<u>18</u>	<u>27,070</u>	<u>1,838</u>
Total Requirements	<u>\$ 26,198</u>		<u>\$ 172</u>		<u>\$ 28,908</u>	

See accompanying independent auditors' report.

Financial Management Information System Replacement Project		Fire		Grant and Aid Improvements - City Share	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 2,233	\$ 185	\$ 1,944	\$ 824	\$ 74	\$ 19
1,950	80	1,879	777	75	16
410	10	1,770	684	75	12
-	-	1,775	595	62	10
-	-	1,758	506	62	7
-	-	1,738	417	39	5
-	-	1,710	330	39	3
-	-	1,698	245	15	1
-	-	1,009	175	15	1
-	-	688	130	7	-
-	-	1,046	86	-	-
-	-	246	50	-	-
-	-	240	38	-	-
-	-	215	26	-	-
-	-	205	15	-	-
-	-	205	5	-	-
-	-	5	1	-	-
-	-	5	-	-	-
-	-	4	-	-	-
<u>4,593</u>	<u>275</u>	<u>18,140</u>	<u>4,904</u>	<u>463</u>	<u>74</u>
<u>\$ 4,868</u>		<u>\$ 23,044</u>		<u>\$ 537</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Harbor		Industrial Land Bank		Lakefront Development	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 480	\$ 200	\$ 32	\$ 5	\$ 4	\$ 1
2008	483	179	29	4	3	1
2009	503	154	26	2	3	-
2010	424	131	15	1	2	-
2011	425	109	2	1	1	-
2012	384	87	1	-	-	-
2013	346	68	1	-	-	-
2014	337	51	1	-	-	-
2015	310	34	1	-	-	-
2016	138	20	-	-	-	-
2017	90	13	-	-	-	-
2018	71	9	-	-	-	-
2019	66	5	-	-	-	-
2020	39	3	-	-	-	-
2021	39	1	-	-	-	-
2022	5	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
Totals	4,140	1,064	108	13	13	2
Total Requirements	\$ 5,204		\$ 121		\$ 15	

See accompanying independent auditors' report.

	Library		Local Improvement Projects/ Special Assessments		Milwaukee Exposition and Convention Center and Arena		Municipal Expenses	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	\$ 981	\$ 428	\$ 1,991	\$ 839	\$ 16	\$ 2	\$ 250	\$ 60
	986	393	1,827	748	13	2	250	50
	971	343	1,637	660	11	1	250	40
	946	294	1,371	579	7	-	250	30
	794	247	1,161	517	1	-	250	20
	752	208	958	467	1	-	250	10
	776	170	1,137	410	1	-	-	-
	728	131	1,044	353	-	-	-	-
	501	98	677	308	-	-	-	-
	493	74	2,421	273	-	-	-	-
	433	50	2,130	173	-	-	-	-
	219	29	2,073	86	-	-	-	-
	206	19	22	1	-	-	-	-
	151	10	-	-	-	-	-	-
	94	5	-	-	-	-	-	-
	44	1	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	<u>9,075</u>	<u>2,500</u>	<u>18,449</u>	<u>5,414</u>	<u>50</u>	<u>5</u>	<u>1,500</u>	<u>210</u>
	<u>\$ 11,575</u>		<u>\$ 23,863</u>		<u>\$ 55</u>		<u>\$ 1,710</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Parking		Playgrounds/ Recreational Facilities		Police	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 2,079	\$ 593	\$ 1,175	\$ 382	\$ 4,955	\$ 2,110
2008	2,147	503	1,175	324	5,156	1,885
2009	1,569	407	1,099	266	5,383	1,631
2010	1,166	338	979	211	4,972	1,361
2011	1,098	282	809	164	4,321	1,104
2012	941	228	568	129	4,408	887
2013	820	181	656	97	3,762	682
2014	801	140	610	64	2,771	493
2015	690	101	430	38	2,877	363
2016	525	66	291	19	1,488	228
2017	302	40	122	8	1,317	155
2018	230	25	28	2	676	91
2019	165	15	18	1	331	61
2020	123	7	-	-	236	48
2021	52	3	-	-	395	33
2022	39	1	-	-	207	21
2023	-	-	-	-	190	14
2024	-	-	-	-	190	8
2025	-	-	-	-	190	1
Totals	12,747	2,930	7,960	1,705	43,825	11,176
Total Requirements	<u>\$ 15,677</u>		<u>\$ 9,665</u>		<u>\$ 55,001</u>	

See accompanying independent auditors' report.

Public Buildings		Resource Recovery		Schools		Sewer Maintenance	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 12,948	\$ 6,879	\$ 10	\$ 2	\$ 11,451	\$ 5,065	\$ 10,000	\$ 319
13,498	6,379	9	1	11,071	4,541	22,170	931
13,262	5,721	9	1	9,890	4,024	117	83
12,871	5,079	5	-	9,490	3,538	119	78
12,347	4,456	1	-	9,101	3,056	120	73
11,337	3,865	1	-	7,974	2,612	122	68
11,289	3,303	-	-	7,350	2,205	142	62
10,582	2,748	-	-	7,867	2,654	145	56
9,769	2,235	-	-	7,309	2,897	148	49
9,127	1,770	-	-	9,024	2,492	151	41
6,755	1,388	-	-	7,107	2,791	126	35
5,978	1,074	-	-	6,017	2,404	126	28
5,884	797	-	-	5,876	2,924	126	22
4,489	556	-	-	5,016	3,076	126	16
5,496	320	-	-	1,433	2,772	126	9
2,004	161	-	-	1,684	3,631	126	3
1,289	98	-	-	1,469	3,486	-	-
1,289	53	-	-	-	-	-	-
<u>1,290</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
151,504	46,890	35	4	119,129	54,168	33,990	1,873
<u>\$ 198,394</u>		<u>\$ 39</u>		<u>\$ 173,297</u>		<u>\$ 35,863</u>	

CITY OF MILWAUKEE
DEBT SERVICE REQUIREMENTS TO MATURITY -
GENERAL OBLIGATION BONDS AND NOTES
 DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit I-3 (Continued)

Year	Sewers		Streets		Tax Incremental Districts	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 7,419	\$ 2,668	\$ 9,333	\$ 4,027	\$ 8,407	\$ 6,791
2008	6,956	2,363	9,181	3,591	10,067	6,756
2009	6,284	2,037	8,788	3,141	11,111	6,235
2010	5,652	1,740	8,133	2,701	11,054	5,684
2011	5,127	1,463	6,712	2,297	11,037	5,130
2012	4,916	1,214	6,408	1,964	10,621	4,576
2013	4,355	967	5,818	1,651	10,121	4,051
2014	4,105	749	4,981	1,360	9,184	3,540
2015	3,534	550	4,305	1,124	8,862	3,090
2016	2,604	369	3,530	911	7,685	2,621
2017	1,540	238	2,905	741	9,520	2,224
2018	1,058	163	1,732	603	9,845	1,729
2019	517	122	1,210	531	7,601	1,233
2020	460	99	968	482	6,617	871
2021	660	70	3,209	373	6,737	543
2022	513	47	2,452	271	4,788	260
2023	400	30	2,440	185	2,975	71
2024	400	16	2,440	100	-	-
2025	<u>400</u>	<u>3</u>	<u>2,440</u>	<u>14</u>	<u>-</u>	<u>-</u>
Totals	<u>56,900</u>	<u>14,908</u>	<u>86,985</u>	<u>26,067</u>	<u>146,232</u>	<u>55,405</u>
Total Requirements	<u>\$ 71,808</u>		<u>\$ 113,052</u>		<u>\$ 201,637</u>	

See accompanying independent auditors' report.

Urban Renewal		Water		Total Requirements	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 2,500	\$ 977	\$ 3,362	\$ 1,118	\$ 97,815	\$ 35,373
2,320	878	2,845	959	102,316	32,670
2,131	765	1,989	850	72,013	28,071
2,097	663	2,492	753	67,602	24,586
1,931	558	2,966	634	62,773	21,258
1,737	462	2,492	494	57,723	18,205
1,369	375	2,101	359	53,234	15,336
1,421	306	2,286	251	49,883	13,492
1,247	234	1,677	141	44,654	11,724
780	171	982	53	40,994	9,461
330	132	21	3	34,653	8,252
273	117	22	2	29,418	6,546
262	104	23	1	23,245	5,973
125	94	-	-	19,076	5,360
601	75	-	-	19,758	4,263
527	54	-	-	12,861	4,479
476	36	-	-	9,444	3,936
476	20	-	-	5,000	205
<u>476</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>30</u>
21,079	6,024	23,258	5,618	807,462	249,220
<u>\$ 27,103</u>		<u>\$ 28,876</u>		<u>\$ 1,056,682</u>	

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - WATER REVENUE
 AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-4

Year	Principal	Interest	Total Requirements
2007	\$ 868	\$ 307	\$ 1,175
2008	891	284	1,175
2009	915	260	1,175
2010	939	236	1,175
2011	964	211	1,175
2012	989	185	1,174
2013	1,015	158	1,173
2014	1,042	131	1,173
2015	1,070	104	1,174
2016	1,098	75	1,173
2017	1,127	45	1,172
2018	<u>1,157</u>	<u>15</u>	<u>1,172</u>
	<u>\$ 12,075</u>	<u>\$ 2,011</u>	<u>\$ 14,086</u>

See accompanying independent auditors' report.

Note: Water Revenue bond coverage on Series SDWL - 1, 2, 3, 4 & 5 for 2006, consisted of gross revenues plus interest income in the amount of \$71,149, less operating expenses (excluding depreciation but including the payment of lieu of taxes) of \$51,365. As a result, the net revenue available for debt service was \$19,784. Debt service requirements consisted of \$1,176 for 2006. At the end of the year, bond coverage computes to 16.82.

CITY OF MILWAUKEE
**DEBT SERVICE REQUIREMENTS TO MATURITY - SEWERAGE SYSTEM REVENUE
AND DISCLOSURE OF BOND COVERAGE**
(Thousands of Dollars)

Exhibit I-5

Year	Principal	Interest	Total Requirements
2007	\$ 2,570	\$ 2,575	\$ 5,145
2008	2,650	2,487	5,137
2009	2,740	2,386	5,126
2010	2,840	2,274	5,114
2011	2,940	2,151	5,091
2012	3,050	2,015	5,065
2013	3,175	1,865	5,040
2014	3,310	1,703	5,013
2015	3,465	1,539	5,004
2016	3,625	1,361	4,986
2017	3,800	1,170	4,970
2018	3,975	975	4,950
2019	4,160	776	4,936
2020	4,360	564	4,924
2021	4,565	341	4,906
2022	2,375	168	2,543
2023	<u>2,475</u>	<u>54</u>	<u>2,529</u>
	<u>\$ 56,075</u>	<u>\$ 24,404</u>	<u>\$ 80,479</u>
See accompanying independent auditors' report.			
Note: Sewerage System Revenue Bonds coverage consisted of gross revenues plus interest income in the amount of \$34,630 less operating expenses (excluding depreciation) of \$14,834. As a result, the net revenue available for debt service was \$19,796. Debt service requirements consisted of \$5,147 for 2006. At the end of the year, bond coverage computes to 3.85.			

CITY OF MILWAUKEE
SCHEDULE OF ACCOUNT BALANCES
CAPITAL PROJECTS BY PURPOSE
 DECEMBER 31, 2006
 (Thousands of Dollars)

Exhibit I-6

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
ASSETS					
Assets:					
Cash and cash equivalents	\$ 1,528	\$ 679	\$ 6	\$ 318	\$ 148
Receivables (net):					
Taxes	-	14	56	23	165
Accounts	-	-	-	-	-
Special Assessments	-	-	-	-	-
Due from other governmental agencies	1,972	-	-	-	-
Inventory of materials and supplies	-	-	-	-	-
Total Assets	<u>\$3,500</u>	<u>\$ 693</u>	<u>\$ 62</u>	<u>\$ 341</u>	<u>\$ 313</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 147	\$ 5	\$ 358	\$ 107	\$ 14
Accrued expenses	14	-	-	-	17
Due to other funds	-	-	-	-	-
Due to component units	-	-	-	-	-
Due to other governmental agencies	1,097	-	-	-	-
Deferred revenue	181	25	100	40	292
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>1,439</u>	<u>30</u>	<u>458</u>	<u>147</u>	<u>323</u>
Fund Balance:					
Reserved for encumbrances, prepaids, and carryovers	2,061	663	(396)	194	(10)
Reserved for inventory	-	-	-	-	-
Unreserved:					
Special assessment (deficit)	-	-	-	-	-
Total Fund Balance	<u>2,061</u>	<u>663</u>	<u>(396)</u>	<u>194</u>	<u>(10)</u>
Total Liabilities and Fund Balance	<u>\$3,500</u>	<u>\$ 693</u>	<u>\$ 62</u>	<u>\$ 341</u>	<u>\$ 313</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Total
\$ 3,926	\$ 25,907	\$ -	\$ 1,567	\$ -	\$ 2,956	\$ -	\$ 37,035
-	183	-	99	4,513	2,163	-	7,216
-	-	991	-	1,153	-	122	2,266
-	-	-	-	-	-	16,689	16,689
-	-	-	-	8,106	-	-	10,078
-	-	449	-	-	-	-	449
<u>\$ 3,926</u>	<u>\$ 26,090</u>	<u>\$ 1,440</u>	<u>\$ 1,666</u>	<u>\$ 13,772</u>	<u>\$ 5,119</u>	<u>\$ 16,811</u>	<u>\$ 73,733</u>
\$ 388	\$ 3,776	\$ 99	\$ 138	\$ 1,181	\$ 1,087	\$ 116	\$ 7,416
15	21	2	1	139	19	-	228
-	-	935	-	1,292	-	-	2,227
-	-	-	112	-	470	-	582
-	-	223	-	712	270	880	3,182
-	325	195	175	10,229	3,835	15,515	30,912
-	-	-	-	-	-	14,700	14,700
<u>403</u>	<u>4,122</u>	<u>1,454</u>	<u>426</u>	<u>13,553</u>	<u>5,681</u>	<u>31,211</u>	<u>59,247</u>
3,523	21,968	(463)	1,240	219	(562)	-	28,437
-	-	449	-	-	-	-	449
-	-	-	-	-	-	(14,400)	(14,400)
<u>3,523</u>	<u>21,968</u>	<u>(14)</u>	<u>1,240</u>	<u>219</u>	<u>(562)</u>	<u>(14,400)</u>	<u>14,486</u>
<u>\$ 3,926</u>	<u>\$ 26,090</u>	<u>\$ 1,440</u>	<u>\$ 1,666</u>	<u>\$ 13,772</u>	<u>\$ 5,119</u>	<u>\$ 16,811</u>	<u>\$ 73,733</u>

CITY OF MILWAUKEE
SCHEDULE OF REVENUES , EXPENDITURES, AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS BY PURPOSE
 FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit I-7

	Bridges	Special Projects	Fire Department	Library	Playgrounds & Recreation
Revenues:					
Property taxes	\$ -	\$ 25	\$ -	\$ -	\$ 440
Special Assessments	-	-	-	-	-
Intergovernmental	1,506	-	-	-	71
Other	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,522</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>511</u>
Expenditures:					
Capital outlay	<u>3,363</u>	<u>6</u>	<u>5,178</u>	<u>1,070</u>	<u>1,731</u>
Excess (deficiency) of Revenues over Expenditures	<u>(1,841)</u>	<u>19</u>	<u>(5,178)</u>	<u>(1,070)</u>	<u>(1,220)</u>
Other Financing Sources (Uses):					
General obligation bonds and notes issued	7,665	-	5,855	1,410	1,035
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>7,665</u>	<u>-</u>	<u>5,855</u>	<u>1,410</u>	<u>1,035</u>
Net Change in Fund Balance	5,824	19	677	340	(185)
Fund Balance (Deficit) - Beginning	<u>(3,763)</u>	<u>644</u>	<u>(1,073)</u>	<u>(146)</u>	<u>175</u>
Fund Balance (Deficit) - Ending	<u>\$ 2,061</u>	<u>\$ 663</u>	<u>\$ (396)</u>	<u>\$ 194</u>	<u>\$ (10)</u>

See accompanying independent auditors' report.

Police Department	Public Buildings	Sewers	Urban Renewal	Streets	Tax Incremental Districts	Special Assessments	Schools Financing	Total
\$ -	\$ 190	\$ -	\$ 150	\$ 7,749	\$ 3,355	\$ -	\$ -	\$ 11,909
-	-	-	-	-	-	3,823	-	3,823
-	73	375	125	7,274	-	-	-	9,424
<u>-</u>	<u>-</u>	<u>52</u>	<u>142</u>	<u>(122)</u>	<u>632</u>	<u>-</u>	<u>-</u>	<u>720</u>
<u>-</u>	<u>263</u>	<u>427</u>	<u>417</u>	<u>14,901</u>	<u>3,987</u>	<u>3,823</u>	<u>-</u>	<u>25,876</u>
<u>5,085</u>	<u>54,806</u>	<u>3,802</u>	<u>1,999</u>	<u>26,216</u>	<u>29,469</u>	<u>3,130</u>	<u>9,240</u>	<u>145,095</u>
<u>(5,085)</u>	<u>(54,543)</u>	<u>(3,375)</u>	<u>(1,582)</u>	<u>(11,315)</u>	<u>(25,482)</u>	<u>693</u>	<u>(9,240)</u>	<u>(119,219)</u>
3,085	54,602	3,899	2,075	11,586	34,576	-	9,240	135,028
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(485)</u>	<u>-</u>	<u>-</u>	<u>(485)</u>
<u>3,085</u>	<u>54,602</u>	<u>3,899</u>	<u>2,075</u>	<u>11,586</u>	<u>34,091</u>	<u>-</u>	<u>9,240</u>	<u>134,543</u>
(2,000)	59	524	493	271	8,609	693	-	15,324
<u>5,523</u>	<u>21,909</u>	<u>(538)</u>	<u>747</u>	<u>(52)</u>	<u>(9,171)</u>	<u>(15,093)</u>	<u>-</u>	<u>(838)</u>
<u>\$ 3,523</u>	<u>\$ 21,968</u>	<u>\$ (14)</u>	<u>\$ 1,240</u>	<u>\$ 219</u>	<u>\$ (562)</u>	<u>\$ (14,400)</u>	<u>\$ -</u>	<u>\$ 14,486</u>

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit I-8

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Property Taxes:			
General	\$ 105,309	\$ 100,714	\$ (4,595)
Provision for Employees' Retirement	40,388	40,388	-
Total Property Taxes	<u>145,697</u>	<u>141,102</u>	<u>(4,595)</u>
Other Taxes:			
Payment in lieu of taxes	1,080	1,235	155
Interest on city tax certificates and other taxes	<u>3,656</u>	<u>3,967</u>	<u>311</u>
Total Other Taxes	<u>4,736</u>	<u>5,202</u>	<u>466</u>
Licenses and Permits:			
Licenses:			
Business and occupational	3,799	4,289	490
Other	135	120	(15)
Permits:			
Building	5,824	7,428	1,604
Zoning	254	252	(2)
Other	<u>1,006</u>	<u>1,640</u>	<u>634</u>
Total Licenses and Permits	<u>11,018</u>	<u>13,729</u>	<u>2,711</u>
Intergovernmental:			
State Shares Revenues:			
State shared taxes	239,725	239,721	(4)
Local street aids	25,200	25,448	248
Payment for municipal services	2,450	2,560	110
Other	<u>4,872</u>	<u>4,688</u>	<u>(184)</u>
Total Intergovernmental	<u>272,247</u>	<u>272,417</u>	<u>170</u>
Charges for Services:			
General government	11,828	12,174	346
Public safety	12,710	13,522	812
Public works	42,037	44,722	2,685
Health	757	667	(90)
Culture and recreation	1,844	1,892	48
Conservation and development	<u>514</u>	<u>551</u>	<u>37</u>
Total Charges for Services	<u>69,690</u>	<u>73,528</u>	<u>3,838</u>
Fines and Forfeits:			
Court and contract forfeitures	5,206	5,530	324
Other	-	11	11
Total Fines and Forfeits	<u>5,206</u>	<u>5,541</u>	<u>335</u>
Other:			
Interest on temporary investments	5,250	9,215	3,965
Miscellaneous	<u>5,181</u>	<u>8,138</u>	<u>2,957</u>
Total Other	<u>10,431</u>	<u>17,353</u>	<u>6,922</u>
Total	<u>\$ 519,025</u>	<u>\$ 528,872</u>	<u>\$ 9,847</u>
<i>See accompanying independent auditors' report.</i>			

CITY OF MILWAUKEE
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006
(Thousands of Dollars)

Exhibit I-9

				2006 Actual		
	Final Budget	Salaries and Wages	Other Operating Costs	Equipment	Total	Variance - Favorable (Unfavorable)
General Government:						
Zoning Appeals	\$ 263	\$ 205	\$ 58	\$ -	\$ 263	\$ -
Mayor	872	822	35	7	864	8
Common Council - City Clerk	6,293	5,025	1,162	57	6,244	49
Municipal Court	2,990	1,967	919	4	2,890	100
City Attorney	8,536	4,808	3,288	70	8,166	370
Administration	6,776	4,537	2,201	20	6,758	18
Employee Relations	107,475	3,584	89,818	21	93,423	14,052
Election Commission	1,720	717	794	12	1,523	197
Comptroller	27,836	3,199	22,432	9	25,640	2,196
City Treasurer	3,282	1,541	1,608	4	3,153	129
Assessor's Office	3,609	3,194	415	-	3,609	-
Employee's Retirement	18,878	184	17,646	1	17,831	1,047
Interest Expense	7,640	-	7,640	-	7,640	-
Non-departmental - unallocated ...	134	-	-	-	-	134
Total General Government	196,304	29,783	148,016	205	178,004	18,300
Public Safety:						
Fire Department	76,216	71,106	4,529	544	76,179	37
Police Department	162,002	149,187	10,890	1,871	161,948	54
Neighborhood Services	12,879	7,918	4,559	68	12,545	334
Total Public Safety	251,097	228,211	19,978	2,483	250,672	425
Public Works:						
General Office	3,721	2,798	861	34	3,693	28
Infrastructure	18,990	12,050	6,908	32	18,990	-
Operations	63,804	38,470	23,636	1,693	63,799	5
Total Public Works	86,515	53,318	31,405	1,759	86,482	33
Health	10,432	8,554	1,874	-	10,428	4
Culture and Recreation:						
Public Library	18,192	12,965	2,582	2,335	17,882	310
Conservation and Development:						
Department of City Development .	3,309	2,101	1,116	-	3,217	92
Total	\$ 565,849	\$ 334,932	\$ 204,971	\$ 6,782	\$ 546,685	\$ 19,164

See accompanying independent auditors' report.

This page left blank intentionally.

This page left blank intentionally.

Table 1

LAST FIVE YEARS
(Accrual Basis of Accounting) (Thousands of Dollars)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt ..	\$ 392,967	\$ 420,357	\$ 444,873	\$ 492,841	\$ 500,045
Restricted	135,885	104,600	110,417	109,149	115,803
Unrestricted	<u>(97,970)</u>	<u>(99,195)</u>	<u>(159,507)</u>	<u>(196,677)</u>	<u>(200,581)</u>
Total governmental activities net assets	<u>430,882</u>	<u>425,762</u>	<u>395,783</u>	<u>405,313</u>	<u>415,267</u>
Business-type activities					
Invested in capital assets, net of related debt ..	506,502	518,861	529,213	560,899	554,966
Restricted	3,715	26,329	8,123	8,383	8,748
Unrestricted	<u>67,505</u>	<u>58,061</u>	<u>89,077</u>	<u>63,657</u>	<u>82,725</u>
Total business-type activities net assets	<u>577,722</u>	<u>603,251</u>	<u>626,413</u>	<u>632,939</u>	<u>646,439</u>
Primary government					
Invested in capital assets, net of related debt ..	899,469	939,218	974,086	1,053,740	1,055,011
Restricted	139,600	130,929	118,540	117,532	124,551
Unrestricted	<u>(30,465)</u>	<u>(41,134)</u>	<u>(70,430)</u>	<u>(133,020)</u>	<u>(117,856)</u>
Tota primary government net assets	<u>\$ 1,008,604</u>	<u>\$ 1,029,013</u>	<u>\$ 1,022,196</u>	<u>\$ 1,038,252</u>	<u>\$ 1,061,706</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in 2002.

CITY OF MILWAUKEE
CHANGES IN NET ASSETS
 LAST FIVE YEARS
(Accrual Basis of Accounting) (Thousands of Dollars)

Table 2

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental Activities					
General government	\$ 159,681	\$ 166,270	\$ 177,761	\$ 180,975	\$ 179,647
Public safety	229,167	257,207	241,027	263,852	263,608
Public works	132,198	137,693	150,591	155,048	154,644
Health	22,125	24,679	27,251	27,036	27,316
Culture and recreation	22,924	19,520	29,014	19,931	21,506
Conservation and development	50,828	64,197	57,967	57,245	66,092
Capital contribution to Milwaukee Public					
Schools	18,725	8,904	15,686	18,002	14,028
Contributions	20,378	22,499	20,582	25,465	25,412
Interest on long-term debt	29,908	26,981	24,159	22,589	32,131
Total Governmental Activities Expenses.....	<u>685,934</u>	<u>727,950</u>	<u>744,038</u>	<u>770,143</u>	<u>784,384</u>
Business-type Activities					
Water	52,821	56,554	54,030	58,230	58,074
Sewer Maintenance	24,214	26,440	24,361	26,096	26,605
Parking	21,893	21,438	22,283	22,369	22,609
Other activities	33,924	34,936	34,214	34,789	35,603
Total Business-type Activities	<u>132,852</u>	<u>139,368</u>	<u>134,888</u>	<u>141,484</u>	<u>142,891</u>
Total Primary Government Expenses	<u>818,786</u>	<u>867,318</u>	<u>878,926</u>	<u>911,627</u>	<u>927,275</u>
Program Revenues					
Governmental activities					
Charges for services					
General government	14,411	10,822	10,460	11,049	12,174
Public safety	8,081	8,348	13,153	13,888	13,522
Public works	31,652	32,777	33,305	35,382	44,722
Health	877	890	911	693	667
Culture and recreation	2,308	2,366	2,412	1,808	1,892
Conservation and development	420	511	584	590	551
Operating Grants and Contributions	89,217	94,646	82,664	87,718	91,271
Total Governmental Activities Program Revenues ..	<u>146,966</u>	<u>150,360</u>	<u>143,489</u>	<u>151,128</u>	<u>164,799</u>
Business-type Activities					
Charges for services					
Water	74,300	74,136	71,579	71,903	69,636
Sewer Maintenance	28,007	32,657	30,959	31,072	34,261
Parking	37,735	39,279	41,470	38,961	40,736
Other activities	33,416	34,363	33,631	36,395	35,489
Capital Grants and Contributions	1,108	2,053	2,236	1,850	7,780
Total Business-type Activities Program Revenues ..	<u>174,566</u>	<u>182,488</u>	<u>179,875</u>	<u>180,181</u>	<u>187,902</u>
Total Primary Government Program Revenues	<u>321,532</u>	<u>332,848</u>	<u>323,364</u>	<u>331,309</u>	<u>352,701</u>
Net (Expense)/Revenue					
Governmental Activities	(538,968)	(577,590)	(600,549)	(619,015)	(619,585)
Business-type Activities	41,714	43,120	44,987	38,697	45,011
Total primary government net expense	<u>(497,254)</u>	<u>(534,470)</u>	<u>(555,562)</u>	<u>(580,318)</u>	<u>(574,574)</u>

	Fiscal Year				
	2002	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes	\$ 207,944	\$ 213,014	\$ 217,762	\$ 224,918	\$ 236,043
State aids for General Fund	283,068	284,565	273,865	272,875	272,417
Grants and contributions not restricted to specific programs					
Miscellaneous	57,999	56,815	56,321	82,796	87,510
Special item - receipt of loans receivable	-	-	-	14,325	-
Transfers	11,151	18,073	22,622	33,631	33,569
Total Governmental Activities	<u>560,162</u>	<u>572,467</u>	<u>570,570</u>	<u>628,545</u>	<u>629,539</u>
Business-type Activities					
Miscellaneous	686	482	797	1,460	2,058
Transfers	(11,151)	(18,073)	(22,622)	(33,631)	(33,569)
Total Business-type Activities	<u>(10,465)</u>	<u>(17,591)</u>	<u>(21,825)</u>	<u>(32,171)</u>	<u>(31,511)</u>
Total Primary Government	<u>549,697</u>	<u>554,876</u>	<u>548,745</u>	<u>596,374</u>	<u>598,028</u>
Change in Net Assets					
Governmental Activities	21,194	(5,123)	(29,979)	9,530	9,954
Business-type Activities	31,249	25,529	23,162	6,526	13,500
Total Primary Government	<u>\$ 52,443</u>	<u>\$ 20,406</u>	<u>\$ (6,817)</u>	<u>\$ 16,056</u>	<u>\$ 23,454</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in 2002.

CITY OF MILWAUKEE
FUND BALANCES, GOVERNMENTAL FUNDS
 LAST FIVE YEARS
(Modified Accrual Basis of Accounting) (Thousands of Dollars)

Table 3

	Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 86,010	\$ 89,981	\$ 87,036	\$ 85,227	\$ 105,175
All Other Governmental Funds					
Reserved	\$ 161,094	\$ 135,708	\$ 135,777	\$ 148,440	\$ 171,682
Unreserved, reported in:					
Capital projects funds	(11,897)	(11,468)	(13,116)	(15,093)	(14,400)
Nonmajor governmental funds	-	-	(4,177)	10,497 *	8,154
Total all other governmental funds	\$ 149,197	\$ 124,240	\$ 118,484	\$ 143,844	\$ 165,436

* The substantial increase in the nonmajor governmental funds unreserved fund balance resulted from the transfer of the NIDC loans to the City.

CITY OF MILWAUKEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST FIVE YEARS
(Modified Accrual Basis of Accounting) (Thousands of Dollars)

Table 4

	Year				
	2002	2003	2004	2005	2006
Revenues:					
Property taxes	\$ 183,697	\$ 197,499	\$ 198,938	\$ 205,205	\$ 214,833
Other taxes	16,579	16,336	19,284	20,461	20,910
Special assessments	4,053	4,482	4,665	4,651	3,823
Licenses and permits	10,814	10,883	11,530	13,374	13,729
Intergovernmental	356,730	362,778	337,058	355,406	345,078
Charges for services	63,726	61,478	66,409	68,762	84,191
Fines and forfeits	5,210	6,115	5,647	5,893	5,541
Contributions received	21,107	22,499	22,236	25,187	25,807
Other	26,806	24,040	24,811	32,333	44,169
Total Revenues	<u>688,722</u>	<u>706,110</u>	<u>690,578</u>	<u>731,272</u>	<u>758,081</u>
Expenditures:					
Current:					
General government	183,046	189,789	203,331	209,446	206,581
Public safety	227,416	259,379	241,100	262,934	267,669
Public works	92,028	91,406	93,047	92,701	90,539
Health	22,219	24,696	27,365	26,970	27,782
Culture and recreation	20,893	19,031	19,736	19,162	20,409
Conservation and development	40,113	38,519	34,629	32,079	34,801
Capital outlay	93,515	107,829	104,842	138,839	145,095
Debt Service:					
Principal retirement	76,046	73,696	68,618	81,206	146,721
Interest	28,980	28,250	28,620	29,593	34,798
Bond issuance costs	1,104	542	411	887	484
Total Expenditures	<u>785,360</u>	<u>833,137</u>	<u>821,699</u>	<u>893,817</u>	<u>974,879</u>
Excess of Revenues over (under) Expenditures	(96,638)	(127,027)	(131,121)	(162,545)	(216,798)
Other Financing Sources (Uses):					
General obligation bonds and notes issued	101,838	81,901	89,331	126,828	215,763
Refunding bonds issued	138,044	16,563	-	28,112	1,785
Payment to refunded bond escrow agent	(150,999)	(17,648)	-	(30,492)	-
Payment - current refunding	-	-	-	-	(1,819)
Loans receivable activities	-	-	-	-	1,007
Issuance premium	19,313	6,589	10,467	13,692	8,033
Capital lease	-	563	-	-	-
Transfers in	47,776	50,318	57,312	71,699	139,533
Transfers out	(36,625)	(32,245)	(34,690)	(38,068)	(105,964)
Total Other Financing Sources and Uses	<u>119,347</u>	<u>106,041</u>	<u>122,420</u>	<u>171,771</u>	<u>258,338</u>
Special Item:					
Receipt of loans receivable	-	-	-	14,325	-
Net Change in Fund Balances	\$ 22,709	\$ (20,986)	\$ (8,701)	\$ 23,551	\$ 41,540
Debt service as a percentage of noncapital expenditures	14.7%	13.2%	12.6%	13.6%	20.5%

CITY OF MILWAUKEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
(Thousands of Dollars)

Table 5

Budget Year	Real Estate			Personal Property		
	Residential Property	Commercial Property	Manufacturing Property	Machinery Tools Patterns	Furniture Fixtures & Equipment	All Other
1997	\$ 8,402,291	\$ 4,741,241	\$ 570,908	\$ 207,158	\$ 846,354	\$ 82,655
1998	8,457,842	4,751,564	571,006	201,884	846,261	85,580
1999	9,093,198	5,123,443	625,806	225,321	913,644	90,702
2000	9,163,659	5,103,186	633,182	205,861	566,871	101,091
2001	10,292,623	5,612,522	741,472	218,677	621,414	96,287
2002	10,358,671	5,716,180	717,831	215,683	597,457	93,962
2003	12,027,395	6,176,332	765,130	205,531	593,878	97,989
2004	12,938,633	6,493,805	729,858	187,208	560,426	99,587
2005	14,301,662	6,903,490	733,600	178,275	558,290	97,103
2006	16,116,818	7,547,715	721,966	185,601	541,831	108,218
Budget Year	Total Taxable Assessed Value			Total Direct Tax Rate	Estimated Actual Taxable Value	Ratio of Total Assessed to Total Estimated Actual Value
1997	\$ 14,850,607			\$ 10.24	\$ 15,041,199	98.7%
1998	14,914,137			9.99	15,511,857	96.1
1999	16,072,114			9.71	16,228,218	99.0
2000	15,773,850			9.69	16,701,225	94.4
2001	17,582,995			10.49	17,344,251	101.4
2002	17,699,784			10.87	19,453,830	90.9
2003	19,866,255			10.15	20,298,387	97.9
2004	21,009,517			9.73	21,730,754	96.7
2005	22,772,420			9.19	23,491,774	96.9
2006	25,222,149			8.75	26,256,714	96.1
Source:	The Assessed Values are established by the City of Milwaukee Assessor's Office and are used to calculate property taxes. The Estimated Actual (Equalized) Values are provided by the State Supervisor of Assessments. State law requires all assessments to be within 10% of the equalized value ratio at lease once every four year period.					
Note:	Beginning with the year 2002 property is reassessed each year. Prior to 2002 property was reassessed every two years.					

CITY OF MILWAUKEE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN YEARS
(Rate per \$1,000 of assessed value)

Table 6

	Budget Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City Direct Rates (A)										
City of Milwaukee	\$ 9.81	\$ 9.47	\$ 9.20	\$ 9.12	\$ 9.86	\$ 10.22	\$ 9.51	\$ 9.22	\$ 8.52	\$ 8.08
Allocation of Debt Service incurred for Schools	<u>0.43</u>	<u>0.52</u>	<u>0.51</u>	<u>0.57</u>	<u>0.63</u>	<u>0.65</u>	<u>0.64</u>	<u>0.51</u>	<u>0.64</u>	<u>0.67</u>
Total Direct Rate	10.24	9.99	9.71	9.69	10.49	10.87	10.15	9.73	9.16	8.75
Overlapping Rates (B)										
Milwaukee School Board	9.97	9.02	9.44	8.95	8.81	9.11	8.55	8.12	8.84	8.35
Less: allocation of Debt Service in City rate	<u>(0.43)</u>	<u>(0.52)</u>	<u>(0.51)</u>	<u>(0.57)</u>	<u>(0.63)</u>	<u>(0.65)</u>	<u>(0.64)</u>	<u>(0.51)</u>	<u>(0.64)</u>	<u>(0.67)</u>
Total School Rate	9.54	8.50	8.93	8.38	8.18	8.46	7.91	7.61	8.20	7.68
Milwaukee Area District Board of Vocational, Technical and Adult Education	2.01	2.11	2.01	2.16	2.00	2.23	2.05	2.04	2.00	1.96
County of Milwaukee	5.72	5.96	5.72	5.82	5.46	5.91	5.20	4.94	4.70	4.43
State of Wisconsin	0.20	0.21	0.20	0.21	0.20	0.22	0.20	0.21	0.21	0.20
Milwaukee Metropolitan Sewerage District	<u>1.72</u>	<u>1.77</u>	<u>1.72</u>	<u>1.80</u>	<u>1.68</u>	<u>1.87</u>	<u>1.74</u>	<u>1.64</u>	<u>1.59</u>	<u>1.48</u>
Total Tax Rate (C)	<u>\$ 29.43</u>	<u>\$ 28.54</u>	<u>\$ 28.29</u>	<u>\$ 28.06</u>	<u>\$ 28.01</u>	<u>\$ 29.56</u>	<u>\$ 27.25</u>	<u>\$ 26.17</u>	<u>\$ 25.86</u>	<u>\$ 24.50</u>

(A) State law prohibits the City from raising property taxes more than 2% plus 60% growth of new development.

(B) Overlapping rates are those of local and county governments that apply to property owners within the City of Milwaukee.

(C) Tax rates were constructed considering the provision of the tax incremental district law. The application of these rates to the applicable assessed values will provide a tax yield higher than the levy.

Table 7

140

Table 8

141

CITY OF MILWAUKEE
RATIOS OF OUTSTANDING DEBT BY TYPE,
 LAST TEN YEARS
(Dollars in Thousands, except per capita)

Table 9

Governmental Activities							Estimated Actual Taxable Value of Property	Percentage of Total Taxable Value of Property	Per Capita						
Year	General Obligation Bonds and Notes		Less: Amounts Available in Debt Service Fund		Total										
1997	\$	393,179		\$	22,238	\$	370,941	\$	15,041,199	2.47%	\$	605.38			
1998		432,877			24,941		407,936		15,511,857	2.63%		668.03			
1999		473,089			31,322		441,767		16,228,218	2.72%		726.41			
2000		522,503			30,436		492,067		16,701,225	2.95%		812.57			
2001		566,429			42,137		524,292		17,344,251	3.02%		880.41			
2002		591,155			40,466		550,689		19,453,830	2.83%		924.04			
2003		598,275			35,365		562,910		20,298,387	2.77%		945.68			
2004		618,988			43,807		575,181		21,730,754	2.65%		968.45			
2005		664,285			44,207		620,078		23,491,774	2.64%		1,046.08			
2006		733,327			52,284		681,043		26,256,714	2.59%		1,153.59			
Business-Type Activities															
Year	General Obligation Bonds and Notes					Revenue Bonds		Total Primary Government	Percentage of Personal Income (A)	Per Capita (A)					
	Harbor	Parking	Sewer Maintenance	Water		Water	Sewer								
1997	\$	2,303	\$	16,973	\$	-	\$	47,343	\$	-	\$	437,560	1.88%	\$	714.10
1998		2,010		21,532				61,982		4,873		498,333	2.01%		816.06
1999		3,236		25,400				57,374		17,560		545,337	2.14%		896.71
2000		3,145		26,981				52,611		16,773		591,577	2.23%		976.89
2001		3,539		25,557				47,858		16,029		29,095	646,370	2.30%	1,085.41
2002		3,316		22,589				42,489		15,331		29,095	663,509	2.31%	1,113.35
2003		4,363		19,635				37,809		14,548		61,980	701,245	2.41%	1,178.08
2004		4,529		16,613				32,801		13,745		60,945	703,814	2.34%	1,185.03
2005		4,222		13,953				27,950		12,921		58,555	737,679	2.37%	1,244.47
2006		4,140		12,747		33,990		23,258		12,075		56,075	823,328	not available	1,394.80
Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements and in the Miscellaneous Financial Data Section.															
(A)	See Table 13 for personal income and population data.														

CITY OF MILWAUKEE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2006
(Thousands of Dollars)

Table 10

Name of Government Unit	Net Debt Outstanding	Percentage Applicable to City of Milwaukee (C)	City of Milwaukee's Share of Debt
Debt Repaid with property taxes			
Direct Debt:			
City of Milwaukee (A)	\$ 755,178	100.00	\$ 755,178
Overlapping Debt:			
Milwaukee Area Technical College District	65,035	37.71	24,525
County of Milwaukee	457,863	47.58	217,851
Milwaukee Metropolitan Sewerage Area (B)	741,994	48.63	<u>360,832</u>
Total Direct and Overlapping Debt			<u>\$ 1,358,386</u>
Sources: Estimated Actual (Equalized) Values used to estimate applicable percentages provided by the State Supervisor of Assessments. Debt outstanding data provided by each governmental unit.			
Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Milwaukee. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.			
(A) Excludes \$74,680 of Industrial Revenue Bonds. Includes debt incurred to finance Milwaukee School Board construction. Net Debt Outstanding computation shown Table 11.			
(B) Includes \$471,824 low interest loan from the State of Wisconsin Clean Water Fund, supported by the full faith and credit of the District.			
(C) The percentage of overlapping debt applicable is estimated using estimated actual (equalized) property values. Applicable percentages were estimated by determining the portion of the City's equalized value.			

Table 11

144

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value		<u>\$ 25,222,149</u>
Equalized Value		<u>26,256,714</u>
Debt Limit 7 percent of Equalized Value		1,837,970
Amount of Debt Applicable to Debt Limit:		
General Obligation bonds	\$ 505,756	
General Obligation notes	227,571	
Parking bonds and notes	12,747	
Harbor bonds and notes	4,140	
Water Works bonds	23,258	
Sewer Maintenance bonds	33,990	
Water Works revenue bonds	12,075	
Sewer revenue bonds	<u>56,075</u>	
Total Debt		\$ 875,612
Deduct:		
Assets in Debt Service Funds	52,284	
Water Works revenue bonds (A)	12,075	
Sewer revenue bonds	<u>56,075</u>	
Total Deductions		<u>120,434</u>
Total Amount of Debt Applicable to Debt Limit		<u>755,178</u>
Legal Debt Margin		<u>\$ 1,082,792</u>

(A) The Water Revenue Bonds and Sewer Revenue Bonds are payable only from the income and revenues derived from the operations of the water system and sewer system, respectively. These bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or provision.

Note: State Statutes (67.03 and 119.49) limit direct general obligation borrowing in the amount equivalent to 7% of the equalized valuation of taxable property. However, it may be reduced in any year by the amount of any surplus money in the debt service fund. The statutes further provide that within the 7% limitation, borrowing for school construction purposes may not exceed 2% of the equalized valuation and borrowing for general city purposes may not exceed 5% of the equalized valuation. The legal debt margin as of December 31, 2006 was \$525,134 for school purposes and \$557,658 for general purposes.

CITY OF MILWAUKEE
PLEDGED-REVENUE COVERAGE
 LAST TEN YEARS
(Thousands of Dollars)

Table 12

Water Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
1998	\$ 56,522	\$ 41,935	\$ 14,587	\$ -	\$ 3	\$ 3	4,862.33
1999	56,556	41,313	15,243	-	300	300	50.81
2000	63,188	42,046	21,142	787	446	1,233	17.15
2001	62,328	41,824	20,504	744	433	1,177	17.42
2002	74,245	37,948	36,297	763	414	1,177	30.84
2003	74,161	42,072	32,089	782	394	1,176	27.29
2004	71,546	47,884	23,662	803	373	1,176	20.12
2005	72,661	51,953	20,708	824	352	1,176	17.61
2006	71,149	51,365	19,784	846	330	1,176	16.82
Sewer Revenue Bonds							
Year	Gross Revenues	Debt Coverage Expenses	Net Available Revenue	Debt Service		Total Debt Service	Coverage
				Principal	Interest		
2001	\$ 18,899	\$ 14,093	\$ 4,806	\$ -	\$ 113	\$ 113	42.53
2002	28,307	15,283	13,024	-	1,357	1,357	9.60
2003	32,792	14,722	18,070	1,000	1,340	2,340	7.72
2004	31,279	13,557	17,722	1,035	2,827	3,862	4.59
2005	31,390	15,022	16,368	2,390	2,762	5,152	3.18
2006	34,630	14,834	19,796	2,480	2,667	5,147	3.85
Water Revenue Bonds issued in 1998. Sewer Revenue bonds issued in 2001.							
Note:	Details regarding the city's outstanding debt can be found in the notes to the financial statements. Gross revenues include nonoperating interest income. Operating expenses do not include interest, depreciation, or amortization expenses, but does include the transfer for Payment in Lieu of Taxes.						

CITY OF MILWAUKEE
DEMOGRAPHIC AND ECONOMIC STATISTICS,
 LAST TEN CALENDAR YEARS

Table 13

Year	Population (A)	County of Milwaukee		Median Age (D)	School Enrollment (E)	Unemployment Rate (F)
		Personal Income (Thousands of Dollars (B))	Per Capita Income (C)			
1997	612,740	\$ 23,332,168	\$ 24,678	30.3	107,043	5.2%
1998	610,654	24,772,518	26,286	30.3	105,645	4.8
1999	608,150	25,533,958	27,149	30.3	105,374	4.9
2000	605,572	26,520,952	28,225	30.6	103,541	5.9
2001	595,508	28,125,424	30,032	30.6	103,397	7.4
2002	595,958	28,737,661	30,789	30.6	103,464	8.9
2003	595,245	29,129,237	31,335	30.6	103,769	7.9
2004	593,920	30,075,055	32,520	30.6	102,309	6.8
2005	592,765	31,132,088	33,888	30.6	100,262	6.5
2006	590,370	Not available	Not available	30.6	97,509	6.5
(A)	The December 31, 1996 through 2005 populations are estimated from the Wisconsin Department of Revenue used in the distribution of State Shared Taxes. 2006 is from the Wisconsin Department of Administration estimates.					
(B)	Personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Personal income includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.					
(C)	Per capita personal income is from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce and includes all of Milwaukee County because a substantial portion of the County is made up of the City of Milwaukee.					
(D)	Median age of the population is determined only during a census. These figures represent the data collected by the 1990 and 2000 Regular Census.					
(E)	Annual School Census by Board of School Directors. Represents Public Schools only.					
(F)	State of Wisconsin, Department of Workforce Development.					

CITY OF MILWAUKEE
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 14

Employer	2006 Estimates (1)			1997		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Aurora Health Care	15,054	1	3.45%	6,711	1	2.39%
Wheaton Franciscan Healthcare	10,840	2	2.49%			
U.S. Government (Includes Zablocki V.A. Medical Center)	10,800	3	2.48%			
Covenant Health Care	9,000	4	2.06%			
City of Milwaukee	7,263	5	1.67%			
Milwaukee Public Schools	7,137	6	1.64%			
Roundy's Supermarkets	6,800	7	1.56%			
M&I Marshall & Ilsley	6,139	8	1.41%	4,279	2	1.52%
Columbia-St. Mary's	5,749	9	1.32%			
Milwaukee County	5,568	10	1.28%			
Northwestern Mutual Life				3,400	7	1.21%
University of Wisconsin-Milwaukee				3,100	10	1.10%
Medical College of Wisconsin						
Ameritech (Now A T & T)				4,174	3	1.48%
Allen-Bradley (now Rockwell)				3,817	4	1.36%
Firststar Corporation (now U.S. Bank)				3,478	5	1.24%
Kohl's Department Stores				3,435	6	1.22%
Miller Brewing Company				3,300	8	1.17%
Tower Automotive	-		-	3,200	9	1.14%
	<u>84,350</u>		<u>19.35%</u>	<u>38,894</u>		<u>13.83%</u>
(1) Reflects full-time equivalent employees.						
Note: 1997 data does not include government employers and is for the City of Milwaukee only. Data for 2006 includes all of Milwaukee County.						
Source: The 2007 Business Journal, Book of Lists. The 1997 data was from the Department of City Development, Economic Development Division and telephone survey conducted May, 1997. Total employment data (1997= 281,291) (2005=435,942) from the State of Wisconsin Workforce Development.						

CITY OF MILWAUKEE
CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM - ADOPTED BUDGET POSITIONS
 LAST TEN YEARS

Table 15

Functions/Programs	Adopted budgeted positions for the year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	813	806	814	803	748	747	727	685	678	648
Temporary - Election Commission	1,553	1,719	1,321	1,711	1,338	103	65	103	63	103
Public Safety										
Fire										
Fire Fighting Force	1,060	1,057	1,056	1,077	1,077	1,075	1,079	1,039	1,033	1,007
Civilians	59	63	64	63	66	66	67	64	74	75
Police										
Law Enforcement	2,185	2,183	2,174	2,138	2,135	2,130	2,134	2,149	2,155	2,159
Civilian	541	562	595	554	546	582	576	563	564	567
School Crossing Guards	241	241	241	241	241	241	241	241	241	241
Neighborhood Services	215	214	291	277	280	288	216	223	227	224
Public Works										
Administrative Services	28	66	66	71	73	71	69	64	65	65
Infrastructure Services	1,042	815	815	801	786	783	783	728	711	703
Operations	1,805	1,804	1,883	1,820	1,824	1,814	1,755	1,619	1,606	1,588
Sanitation emergency	1,000	500	500	500	500	500	500	250	-	-
Winter relief	335	300	262	262	262	262	237	159	74	66
Health	426	430	378	374	368	377	367	359	345	326
Culture and recreation	427	416	419	446	447	449	445	409	409	402
Conservation and development	389	369	310	300	287	271	325	252	238	261
Youth initiative positions	528	528	528	-	-	-	-	-	-	25
Water	489	490	443	412	400	388	382	363	363	355
Sewer Maintenance		188	190	190	191	193	209	198	198	199
Parking	25	25	32	99	125	128	128	128	128	129
Port of Milwaukee	<u>37</u>	<u>37</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>34</u>	<u>33</u>	<u>29</u>	<u>30</u>
Subtotal	13,198	12,813	12,417	12,174	11,729	10,503	10,339	9,629	9,201	9,173
Less: Election Commission temporary										
General Government	<u>(1,553)</u>	<u>(1,719)</u>	<u>(1,321)</u>	<u>(1,711)</u>	<u>(1,338)</u>	<u>(103)</u>	<u>(65)</u>	<u>(103)</u>	<u>(63)</u>	<u>(103)</u>
Total Budgeted Positions	<u>11,645</u>	<u>11,094</u>	<u>11,096</u>	<u>10,463</u>	<u>10,391</u>	<u>10,400</u>	<u>10,274</u>	<u>9,526</u>	<u>9,138</u>	<u>9,070</u>

Source: Budget Office. Firefighters and Law Enforcement from Departmental reports.

Note: Beginning in 2004 Fire auxiliary positions were unfunded and therefore excluded. After 2001 temporary poll workers are no longer considered City employees.

**CITY OF MILWAUKEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS**

Table 16

Functions/Programs	Operating Indicators									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Investment portfolio return	5.70%	5.60%	5.20%	6.14%	4.12%	1.70%	1.20%	1.50%	3.00%	4.78%
Courtroom cases						114,978	131,117	137,432	116,388	114,949
Public safety										
Police										
Dispatched assignments	570,000	568,923	550,714	511,768	511,000	536,109	503,909	500,162	491,144	489,139
Traffic citations	126,396	141,989	138,035	100,612	132,732	141,464	146,210	108,346	98,044	93,369
Homicide clearance rates	83.60%	82.20%	81.45%	80.99%	83.46%	78.70%	79.44%	80.68%	71.31%	71.84%
Fire										
Number of medical emergency assists									51,091	51,862
Number of fires extinguished									5,068	5,185
Civilian fire deaths									12	16
Building Inspection										
Complaints reported			34,291	33,443	33,985	30,096	31,479	31,284	34,078	34,431
Orders issued			26,695	33,306	42,144	41,762	44,042	44,564	55,443	54,976
Public Works										
Major streets paving (miles)	6.11	9.04	6.29	6.74	11.31	4.63	6.72	3.32	5.94	7.81
Asphalt patching/pot holes (tons)	3,823		9,350	9,409	10,360	10,500	10,459	10,236	10,014	10,344
Refuse tonnage	305,742	304,896	298,438	302,565	323,577	314,795	322,613	335,033	317,122	312,451
Recycling tonnage	33,112	32,731	32,268	29,137	28,544	27,270	26,101	25,802	25,483	25,300
Health										
Food inspections										
Immunizations										
Culture and Recreation										
Library hours of operation	36,548	36,548	36,229	36,229	36,229	36,229	35,842	36,552	33,339	33,218
Collections size	2,814,475	2,844,565	2,912,934	2,969,977	3,017,395	3,022,382	3,062,142	3,104,911	3,030,281	3,018,232
Public computers	N/A	307	379	449	454	454	474	488	481	495
Conservation and Development										
Jobs created	1,255	800	940	4,653	545	514	1,193	2,037	2,466	3,494
retained	4,815	1,625	2,488	1,813	2,203	1,925	1,321	14,108	2,775	9,182
New housing units									1,538	982
Water										
Millions gallons pumped	41,520	41,760	41,901	41,730	40,813	39,970	36,473	37,237	38,439	35,486
Population served	834,757	822,300	846,388	833,322	831,850	831,979	830,719	833,112	852,857	849,981
Sewer Maintenance										
Sewer service backups	28	36	50	76	46	58	59	32	43	40
Street flooding complaints	4,398	4,498	3,889	5,538	4,428	2,728	2,500	1,724	4,143	4,810
Parking										
Citations issued	811,161	818,471	813,044	772,508	1,217,168	1,075,501	1,002,923	1,113,620	929,714	932,346
Vehicle tows	22,563	20,707	27,480	27,790	31,646	31,541	29,728	29,333	26,799	31,659
Port										
Metric tonnage total	2,721,840	2,666,036	2,528,200	2,509,752	2,927,447	2,724,231	2,654,876	2,923,364	3,424,827	3,481,541

Sources: Various city departments.

Ten years of data was not available for all operating indicators, but will be accumulated as it becomes available.

Table 17

151